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The American Frontier 1951

*By President Truman*¹

I am happy to come to this great city of Detroit and to join with you in celebrating its 250th birthday. I do not suppose that Cadillac and his little band of French pioneers would believe their eyes if they could see what has happened on the spot where they built their fort back in 1701.

To them the word Detroit meant a narrow place in the river. In George Washington's time it meant a place of danger, a source of Indian raids and scalping parties. Today the word Detroit is a synonym throughout the world for the industrial greatness of America. Today the word Detroit symbolizes for free men everywhere the productive power which is a foundation stone of world peace. . . .

The United Nations and World Peace

This past year has been a period of challenge. It has tested all we have done since the end of World War II to bring about peace in the world. Aggression in Korea was aimed at the whole idea of the United Nations. It was the purpose of the aggressors to pick off one free nation after another. They intended to create fear in the hearts of the free peoples and to force them to submit to Communist domination and control.

We could have given up in the face of that attack. We could have abandoned the United Nations and torn up the Charter. We could have retreated into a hopeless and fearful isolationism, just as we did after the First World War. But this time we didn't do that.

This time we went forward. With our allies we met the challenge. And today the United Nations is a going concern—stronger than ever. Today the Charter means more than it ever did. It has been tested by fire and sword. Today it offers real protection to the free nations of the world.

¹ Excerpts from an address made at Detroit, Mich., on July 28 and released to the press by the White House on the same date. Also printed as Department of State publication 4288.

The free nations have made their determination clear. We will not give in to aggression. Our plans for world peace still stand. We will never quit in the fight for world peace.

The Communists have asked for talks looking toward a settlement of the Korean conflict. Those talks are in progress. We do not yet know whether the Communists really desire peace in Korea or whether they are simply trying to gain by negotiations what they have not been able to gain by conquest. We intend to find that out. The talks can be successful if the Communists are in fact ready to give up aggression in Korea.

Military Preparations of Soviet Union and Its Satellites

But whatever happens in Korea, we must not make the mistake of jumping to the conclusion that the Soviet rulers have given up their ideas of world conquest. They may talk about peace, but it is action that counts.

What they have been doing is quite clear. They are putting themselves in a position where they can commit new acts of aggression at any time. Why right now, for example, the armed forces of the Soviet satellites are rapidly being brought to a peak of military readiness. In the last several months the satellite countries in Eastern Europe have been forced by the Kremlin to reorganize their armies. The size of these armies has been increased, and modern Russian equipment is being furnished to them in large quantities.

We know that Bulgaria, Rumania, and Hungary now have armed forces far greater than those allowed under the peace treaties they signed in 1947. That is one of our difficulties in dealing with Soviets of any kind; they have no respect for signed treaties or their given word.

We know also that Rumania recently ordered the inhabitants moved out of a stretch of land 30 miles wide along the Yugoslav border. Bulgaria and Hungary have done the same thing. Military preparations have been going on in those zones

along the border. Actions like these certainly are no indication of peaceful intentions.

In the Far East the situation is much the same. The North Koreans and the Chinese Communists—so-called volunteers—are getting a steady flow of new equipment from the Soviet Union for ground and air use.

The Russians themselves have more than four million men under arms in Europe and the Far East. There are heavy concentrations of Soviet air, land, and sea forces in the Russian provinces along the Manchurian border, across from Japan, and across from Alaska.

As your President I am telling you that the dangers in other parts of the world are just as great as they are in Korea. Every day reports come to my desk about Soviet military preparations around the world. If every one of you could see these reports and receive this same information, you would give up any thought that the danger is over. You would be just as anxious as I am to see that this country builds up its armed forces, equips them with the most modern weapons, and helps to arm our Allies.

Don't let anyone confuse you about this. We cannot let down our guard, no matter what happens in Korea.

Building Strength and Unity Among the Free Nations

The free world must have armed strength—the free world must have it now—not in reserve, not later, but now. We must have men, ships, planes, tanks, and bombs—on hand—ready for any emergency. And if we have them, we won't have to use them.

We hope and believe that we will not have to use the armed strength we are building up. Our aim is to put an end to war. But we know that unless we have armed strength we cannot put out the fires of aggression that threaten the peace of the world at this time.

The aim of this Administration is world peace. My term in office is dedicated to bringing us closer to this goal. Our great chance lies in building up such strength and unity among the free nations that the Kremlin will have to drop its plans of aggression and subversion. When we reach that point there can be peace between the Soviet Union and the rest of the world. They can have peace any time they want it.

I know of only two alternatives to this policy, and the American people have rejected both of them. One is to start a world war now, with all its horrible and unforeseeable consequences. Some people would like to do that. The other is to withdraw and isolate ourselves. That means sur-

rendering the rest of the world to Soviet communism. Neither of these alternatives could possibly lead to peace.

Peace is the purpose of our defense program. Peace is what this great production job is all about. We have the resources, the morale, the economic strength to do this job. And we are going to do it!

We have this great strength because the people and the Government have been working together for the welfare of all Americans. We have this strength because we have been working for equality of opportunity and economic security for all our citizens. We have helped our farmers and our workers to reach higher and higher living standards; we have developed our natural resources for everybody's benefit. And because the welfare of the people has been our first concern, our business and industry have grown and expanded tremendously.

That is our record. That is why we stand before the world as the strongest of the free nations. That is why we have the opportunity to lead mankind to peace. . . .

America—Stronghold of Freedom

This is America—and in America working men and women have a voice in their destinies, in their conditions of work, and in the course their country shall follow.

There are many of you who trace your origins to Poland or Hungary or other countries now behind the Iron Curtain. You know how the people of those countries are suffering today. You know what has happened to their churches, their schools, their trade-unions, and to their homes and their farms.

You can be sure that you are remembered in those countries now under the yoke of slavery. You can be sure that the people there look to you—and to all of us—as examples of what freedom means and as a source of hope for better lives for themselves.

Here in this city, and throughout America, we have a great task to perform. It is up to us, acting together as free men, to build up our defenses against aggression, to inspire and help other free men to defend themselves against tyranny, to give hope and courage to those who are now oppressed, to open the way to a better day for the world—a day of peace and security and freedom.

On this anniversary of the beginning of one of the greatest American cities, let us all pledge ourselves anew to carry out this task, with determination and with faith in God, who alone can give us the will and courage to see it through.

The New International Economic Challenge

By Willard L. Thorp

*Assistant Secretary for Economic Affairs*¹

The economic problems faced by the United States have changed drastically in the last 13 months, and the same can be said for virtually every country in the world. The attack on Korea gave new urgency to the efforts of the free world to build military strength. Greatly increased military requirements were imposed on the productive capacity of the world, already occupied in meeting expanding civilian demands. Today, our international economic problems stem from conditions of shortage. Stated much too simply, our immediate economic problem is one of bringing requirements and production into equilibrium without permitting inflation to destroy the delicate balance which exists among the many elements in our economy.

Many commodities were also in short supply at the end of World War II. In many countries, productive capacity had been disrupted, disorganized, or destroyed, and the products available in the rest of the world had to be carefully husbanded and distributed. At first, the great need in the war-devastated areas was for food and other necessities of life. Then the requirements of relief gradually gave way to those of recovery. In the last 3 years, these economies have made rapid strides, and production has increased rapidly, particularly with Marshall Plan assistance. As a matter of fact, the problem had become more and more one of developing trade channels so that these same countries could reduce their dependence upon foreign aid by bringing their imports and exports into balance. Even that problem, usually labeled "the dollar shortage," was rapidly yielding to the effort of many countries to reach a point where they could pay their own way.

The drastic change in the international economic scene is the result of the strengthened determination to rearm. That the free countries did

not feel secure in the face of the Russian threat had already been evidenced in the conditions which led to the establishment of the North Atlantic Treaty Organization—the fact that the Russians had not disarmed after the war, and the fact that they had continued to give high priority to a vast armament buildup, including military establishments for their satellites as well. However, the danger became crystal clear to all to see, when they demonstrated their willingness to encourage and support irresponsible aggression. The attack on Korea forced the free world to undertake its own rearmament on a new scale of magnitude and urgency.

In no economic area was the impact of this new development felt as severely as in that of raw materials. It is undoubtedly true that in recent years our capacity to fabricate has expanded more rapidly than our supply of raw materials, and probably the rapid increase in industrial production in this country and in Western Europe in 1950 by itself alone would have put substantial pressure on the raw material markets. As an added element, the United States Government was active in many markets in building up its stockpile of strategic materials. However, when to these was added the recognition of the fact that enormous quantities of raw materials would be required to implement the armament program, a fact which had an exaggerated effect on the situation by encouraging speculation, the raw material markets reacted immediately and prices skyrocketed. For some commodities, even where prices did not rise substantially as in the case of sulphur, the deficit situation was reflected in the inability of prospective purchasers to locate any available supply.

World-Wide Effect of Raw Material Shortage

This situation held a serious threat to all industrial economies where actual shortage could lead directly to serious disruption of production. In many instances, a number of different raw ma-

¹ Address made at the University of Michigan, Ann Arbor, Mich., on July 19 and released to the press on the same date.

terials must be combined into a final product and the lack of any one of them could stop the flow of the finished product. Furthermore, the problem is not only one of supply but also of price. The tremendous advance in raw material prices could not help but disturb economies where price structures and wage levels often were in rather uncertain balance. For some countries, largely producers of raw materials, the high prices might well prove to be a bonanza, creating difficult problems of financial discipline often associated with the sudden attaining of unexpected wealth. In other countries, large consumers of imported raw materials whose prices had gone up much more than those of the manufactured goods which they sell abroad, the difficulty of meeting their foreign payments again became serious.

To put the problem in economic terms, it was simply that the demand for raw materials caused by the active civilian economies and the rearmament programs exceeded the supply of those materials, and the net result was a rapid increase in price. In some instances, prices have declined in recent months as the original speculative outburst has worn off, and as other adjustments in demand or supply have been made, but, in general, raw material prices are still far above other elements in general price levels. The problem of raw materials, both supply and price, has become a major preoccupation of top officials in every government because it not only affects the health of their civilian economies, but can prove to be a limiting factor on even the most energetic efforts to build up their military structures.

In the United States the raw material problem has been approached in a number of ways. The first has been to endeavor to cut back the demand. To some extent this has been done by efforts to reduce the dollars in the hands of purchasers. For example, Regulation W of the Federal Reserve Board reduces the availability of installment credit; increases in taxes reduce purchasing power in the hands of corporations and individuals; and the efforts to reduce the volume of credit have been directed at restricting business expansion and new housing starts.

The problem has been attacked not only by the efforts to reduce purchasing power, but also more directly by limitations in the use of materials in short supply. The Defense Production Authority has required the elimination or reduction in the rate of production for civilian consumption of many less essential products in order to reduce the requirements on scarce raw materials. Some nonessential uses have been forbidden, and in other cases limits have been placed on the total permissible production of finished products. In the case of certain basic materials, such as steel, copper, and aluminum, the Government is now allocating the supply among producers, thus cutting back on many uses. Finally, in some instances, such as rubber, tin, and tungsten, which come largely from abroad, the Government is

doing all the buying and therefore is able to control use within the American economy by its control over distribution.

Not only are steps being taken to cut back requirements, but steps are also being taken to increase the supply. In the case of rubber, the war built synthetic rubber plants are being brought back into full operation; in the case of cotton, the Department of Agriculture successfully set a greatly increased acreage goal; expansion projects for sulphur already under consideration give promise of an increase of 12 percent over the 1950 domestic output; special inducements have been offered to producers who might otherwise be unwilling to expand their production under present price ceilings, through accelerated tax amortization, direct loans, loan guaranties, long-term procurement contracts, and standby purchase commitments.

Efforts are being made to increase foreign raw material production through ECA projects, Export-Import Bank loans and long-term supply contracts. For example, credit has been extended to projects to produce manganese in Brazil, tungsten in Argentina and Peru, and sulphur in Argentina and Mexico. In addition, exploration has been assisted in instances such as manganese, lead, and zinc in Greece; tungsten in Portugal; copper, lead, and zinc in the Belgian Congo; chrome in Turkey and New Caledonia; industrial diamonds in British Guiana and French Morocco; and columbite in Norway and British Guiana. This encouragement of exploration parallels efforts in this country, where the Government has offered to pay from 50 to 90 percent of the cost for prospecting for 28 different minerals; 700 applications have been received, and a number of promising projects have already been approved. By thus reducing the effective demand and increasing the supply as much as possible, the pressures on the markets have been greatly reduced, the necessary raw materials have been made available for the rearmament program, and the maintenance of price ceilings has been possible.

However, the problem of raw materials is not one faced alone by the United States. There are some strategic materials in which we are self-sufficient such as molybdenum, petroleum, sulphur, and phosphate rock. On the other hand, there are other products which we obtain almost entirely from abroad, such as quartz crystals, industrial diamonds, tin, nickel, long-fiber asbestos, and strategic mica. There are still many other products where more than a third of our supply is imported, such as copper, lead, zinc, and tungsten. Other countries, of course, have different geological resources, but all face the same problem of dependence for much of their requirements upon sources outside their own control. Normally, we all compete in the world markets for these materials. In the face of limited supplies and high prices, many other countries have

taken steps closely paralleling our own. The British have restricted the use of scarce commodities to various percentages of 1949 or 1950 use. In many other countries government purchasing has given the government a means of restricting the less essential uses.

The International Materials Conference

However, the world requirements still exceed the world supply, and in such a situation of shortage no amount of domestic stabilization on our part could prevent the skyrocketing of world prices if other countries went into the market vigorously. It therefore became apparent last fall that international action was necessary, and the United States, the United Kingdom, and France set out to organize some international machinery. This led to the setting up of what is known as the International Materials Conference.² The Conference has a Central Group with ten members, namely Australia, Brazil, Canada, France, India, Italy, the United Kingdom, the United States, and representatives of the Organization of the American States (OAS), and of the Organization of European Economic Cooperation (OEEC). This group provides geographical representation as well as that of producer and consumer countries. The Central Group is responsible for initiating action in connection with any commodity where its members feel that international consideration would be helpful.

The form which action has taken has been to set up specific commodity committees whose members are representatives of the leading producing and consuming countries in the free world of the particular commodity to be considered, usually about a dozen countries in all. Each commodity committee therefore includes the main producers and the main consumers who, after all, are those most concerned with the behavior of the commodity. Neither the Central Group nor the commodity committees have any charter or bylaws, but they are merely a group of responsible government representatives gathered together to consider with each other what can be done to deal with whatever seem to be the immediate problems for their particular commodity. There are now seven committees dealing with the following groups of commodities: copper, lead and zinc; cotton and cotton linters; manganese, nickel and cobalt; molybdenum and tungsten; pulp and paper; sulphur; and wool.

These committees have no powers except to make recommendations to governments. Therefore, the solutions which are devised must be so reasonable and equitable as to command acceptance. Up to the present time, technicians have been sent to Washington by almost thirty countries to participate on one or another committee, and they have been at work for several months.

² BULLETIN of July 2, 1951, p. 23.

Each committee has made a survey of world requirements and supply. It has listened to suggestions and received information from representatives of nonmember countries who wished to appear. Already, agreed recommendations have been developed for the conservation of tungsten, molybdenum, manganese, cobalt, nickel, and copper. The meetings together have also stimulated technological improvement; i. e., as a result of the discussions, French experts have visited this country to learn about boron steel. In turn, French experts have made useful suggestions to reduce the sulphuric acid requirement in fertilizer production.

Already we can see specific international action in four particular cases. Tungsten and molybdenum are metals of particular importance in making heat-resistant steel. There is no doubt but that present world production is far short of present world demand. What the international committee has done, beyond developing recommendations for conservation, is to estimate the available supply and then recommend to governments the fair distribution of this supply among the various consumer countries for the third quarter of this year. The governments concerned have accepted the recommendations of the committee. Furthermore, with one exception they have agreed that the prices shall not exceed those which have been the ceiling prices in the United States.

The third case, that of sulphur, is one in which the United States is the chief producer and the demands by various countries for American sulphur have far exceeded our ability to supply. What the commodity committee has done is to develop a fair basis for distributing sulphur among the various countries, thus relieving the United States of what would have been an exceedingly difficult problem, and a type of problem hardly calculated to create friends. In the fourth case, that of paper and pulp, the committee has already agreed upon emergency allocations of newsprint to take care of special shortage situations in some eleven countries.

During World War II the problem of the equitable allocation of raw materials was handled by a board with only two members—the United States and the United Kingdom—and the decisions which were reached were effectively enforced through the control of the world's shipping. Today there is no such sanction and one must rely on international cooperation. It is to me a most encouraging sign that the International Materials Conference is working so busily and so well on an entirely voluntary and cooperative basis. International machinery cannot solve problems unless individual countries are prepared to do their part also. However, international consideration can be of incalculable value in developing common national actions in the areas of supply and requirements, and of eliminating the dangers of an

international scramble for these materials with the inevitable results of high prices and wasteful utilization.

Allocation of Manufactured Goods

I do not wish to make it appear that all commodity problems relate to raw materials, for there are serious shortages in manufactured products as well. This shows up particularly in the international field where the interest of many countries in the American market is focused particularly on short supply items such as fertilizer, agricultural machinery, electrical generating equipment, freight cars, and tin plate. In every one of these cases American supply is affected by the diversion of steel and other materials to armament production as well as the high level of demand of the American civilian economy. In every one of these cases foreign countries, many of which are earning large supplies of dollars through sales of raw materials, are eager to buy in the American market, and again the problem of a proper and appropriate allocation enters into the picture. Our interest in these matters is not merely one of maintaining trade channels, but of seeing that essential requirements of other countries are met, and that their programs of economic development are carried forward so far as possible. We have machinery available through the export license system for establishing a pattern among foreign claimants by limitation, but it cannot bring about the acceptance of foreign orders by American business men. There still remains the exceedingly difficult problem of the proper division between domestic and foreign requirements, and the possible necessity for meeting such foreign requirements as are essential through D. O. orders which establish priorities, allocations, or actual set-asides.

In general, the policy of the United States is that we are willing to share where sharing is needed. We place armament and essential civilian requirements first, both at home and abroad. In terms of our immediate national interest, we need a program of international cooperation, for we import many more essential materials than we export. In fact, there are 70 commodities in the list of our strategic requirements which come wholly or partly from foreign sources. More important, however, is our basic desire to build strength in the free world. And that requires the most effective and efficient use of the deficit commodities throughout the world.

I have discussed the adjustments which are being made in the supply and demand aspect of these commodities because that is the basic answer to the problem of efficient utilization and also to our hopes of achieving price stabilization. However, there is another set of problems which arise directly in the price field. I have already discussed the combination of circumstances which drove raw material prices up so rapidly—active civilian de-

mand, armament demand, stockpile purchases, and speculative buying. We made a valiant effort to stop further price advances when price ceilings for transactions in the United States were established at the levels of the beginning of this year. But this, of course, did not control prices in other countries, and for many commodities, the world price level advanced still further. This meant that sellers were likely to sell to purchasers in other countries wherever possible rather than to American buyers. The United States copper ceiling was 24½ cents, but the world market price was nearer 30 cents and sales have been reported at levels as high as 50 cents. The dilemma thus created is a real one. Either American buyers are unable to purchase in foreign markets, or the price ceilings on imports must be raised with the effect of weakening the entire efforts to stabilize. Therefore, we have a real interest in the price levels of other countries. In one instance, we have forced a major reduction in price, that of tin, by simply staying out of the market. Obviously, that is not a long-run solution.

As a matter of fact, this problem of domestic versus world prices has been met in a number of ways. Many imported products, particularly consumers' goods, are allowed to come in with only the American additions to the foreign export price being under ceiling control. For some raw materials which must be obtained abroad, where their use is limited and specialized, and where they constitute a very small part of the cost of finished goods, the ceilings have actually been removed. For other products, Government purchasing has been established and the material then resold to the American consumer. Of course, this technique of government purchase and resale might be used to equalize prices with the Government absorbing the difference, and this is one of the authorities presently being requested in the extended Defense Production Act.

While I am talking about our present-day commodity problems I must interject still one further complicating factor, and that is that the military program in which we are interested is not merely the program of the United States but the program of many other countries. To the extent to which we assist these countries to build their military strength by sending them equipment and other military material, the process merely adds their requirement to our own American defense production program. However, we also have a major interest in encouraging military production itself in other countries. This may mean additional requirements for them in the way of raw materials as well as new machine tools and other equipment. It may even call for finished consumer goods in cases where it has been necessary to divert productive capacity from civilian to military use. These elements also have to be included in all calculations.

I have not tried to give you the full detail of the many commodity problems which appear in a

period of shortage, but merely to suggest the variety and the complexity of considerations which have suddenly become important in the last 13 months. These are difficult problems but at least I think we are entitled to feel that we have made substantial progress toward increasing the supply, and in assuring the most effective use both nationally and internationally of that supply which is available.

Even the most successful plan for the distribution of goods is of little effectiveness unless purchasing power is available to carry out the distribution. Therefore, in facing the new economic problems of the day, we must work not only in terms of the prospective requirements and supplies of commodities, but in terms of changes in the flow of dollars needed to achieve the desired flow of commodities. In the United States, this particular problem is most serious in connection with the greatly increased schedules for military goods. The problem therefore is that of how to assure an adequate supply of dollars in the hands of the purchaser, which is of course the United States Government, and gets us at once into questions of fiscal policy, taxes, Government borrowing, and the like. The problem does not stop at that point, of course. On a broader scale, the location of purchasing power among various groups within our economy has substantial influence on the effectiveness of our efforts at stabilization. These same problems are also present in every country which is accelerating the strengthening of its military structure.

The Dollar Deficit

So far as international relations are concerned, the dollar problem also has new aspects under present conditions. I shall not endeavor to discuss our international assistance programs in terms of their full political, economic, and social implications, but only as they relate to the problems which I have already raised concerning requirements and supply. The greatest dollar deficit is in the availability of dollar purchasing power in the North Atlantic Treaty countries and in certain other countries such as Greece and Turkey, to purchase those military items which they must get from the United States in order to achieve the rapid expansion of their military strength which is contemplated. In a sense, this is in no way a new type of American assistance. During the war we supplied enormous quantities of military material to our allies under lend-lease arrangements. After the war we continued to provide them with military equipment through the disposition at bargain prices of the surpluses which inevitably accumulated. In connection with the development of the North Atlantic Treaty Organization, we undertook to share in the burden of building military strength, and last year assistance was appropriated for this purpose to NATO and certain

other countries in excess of 5 billion dollars, a small part of which was to aid military production. The proposal which is now before Congress would authorize assistance in the form of military end items, military training, and military assistance during the '51-'52 fiscal year of \$6,250,000,000, of which \$5,240,000,000 is for Europe.

However, in spite of the tremendous strides which have been made in European recovery, not every country has reached the point where, even exclusive of military requirements, it can completely pay its own way. To be sure, several Western European countries received no assistance in the form of grants last year, and grant assistance to the United Kingdom was discontinued at its request as of January 1, 1951. Some countries, however, still need economic assistance, notably Greece, Italy, Austria and Western Germany, while others require assistance primarily to carry out programs of domestic production in support of their augmented military programs. After all, the Marshall Plan as originally contemplated anticipated a period of four years of operation, and it has only been in operation for three. The goals which were set at the outset seem well on the way to achievement within the four-year period. The economic assistance for Europe proposed for the next fiscal year is 1.650 billions. As a matter of fact, because of the reduction in economic assistance the proposed military and economic assistance together for Europe is approximately equal to that which was authorized last year in spite of the great increase in their military programs.

However, the threat of communism is not exclusively a military threat. Marching armies are not the only means of aggression, and we all recognize that the process of building strength in the free world involves defeating those allies of communism which lead to internal instability—hunger, disease, poverty and hopelessness. There are enemies against which all believers in progress must continually fight.

For many years the United States has given assistance to other countries for their economic development, but last year for the first time such programs were established in legislation by Congress under a broad policy directive in the Act for International Development. We believe that economic development of the underdeveloped areas should be encouraged on political, economic and social grounds. At this moment, some of the underdeveloped countries do not need dollar assistance for economic development because of their substantial earnings in connection with the sale of raw materials, but there are others where this fortunate condition does not exist. There are still other instances in which cooperative programs of technical assistance, in which the United States would participate, are of value not only in demonstrating our interest and cooperation but as pilot and demonstration operations. It is to

meet problems of this type that the Mutual Assistance Security Bill includes provisions for economic assistance outside of Europe in excess of 500 millions. I should mention that included within this total are certain specific programs which call for special action on our part. There is an amount of \$112.5 millions which is to be available for the rehabilitation of Korea whenever the United Nations Korean Reconstruction Agency is able and ready to undertake its exceedingly difficult assignment. In addition, there is a substantial sum to be dedicated to projects intended to contribute to the resettlement of the Arab refugees. To these sums included in the Mutual Security Assistance Bill should be added assistance which will be provided in the form of loans, the chief sources of which are the Export-Import Bank of Washington and the International Bank for Reconstruction and Development.

Just as commodity requirements will not be met unless purchasing power is in the hands of those entitled to purchase, dollars do not constitute programs unless they can be converted into commodities. During 1950, as a result of all their economic transactions with the United States, foreign countries increased their gold and dollar holdings by over 3.6 billions, and this situation is continuing. Of course, this sum is not evenly distributed among countries, and in many instances is serving to strengthen their currency and other reserves. However, this continued out-flow of gold from the United States is at least an indication that commodity availability is a limiting factor on potential foreign purchases, although both imports and exports are moving at relatively high levels. At least, it reinforces the basic point that our international economic foreign policy must express itself both in the equitable allocation of commodities and in the effective utilization of dollar assistance.

What does all this add up to? Essentially, the new situation in terms both of commodities and of dollars is based upon three simple propositions:

1. The best hope of preventing another world war lies in making ourselves and our friends strong.
2. To do this requires the intelligent development and utilization of the resources of the entire free world through international cooperation.
3. The strength which will come from the collective efforts of free countries will far exceed the possible achievement of the national components separately.

As I have indicated, the actual carrying out of such objectives is no easy matter. We shall have to bear heavy burdens as consumers and as taxpayers. Other countries will share in carrying the economic burden, but as the richest and strongest country in the world, it will fall most heavily on us. However, present programs do not indicate that our share of this burden is too heavy for us to carry. During the war years, we de-

voted as much as 45 percent of our economic effort to war production. Present plans do not carry it beyond 20 percent. And with the ability of our economy to expand, it should be only two or three years before we and our allies can once again begin to see the resumption of the advance in our standard of living.

Our most serious problems lie in the degree of effectiveness with which we organize ourselves to meet the present temporary difficulties. We must find the right balance between such economic factors as prices and wages, requirements and supplies, consumption and savings, and foreign and domestic requirements. During the shortage period, we cannot permit economic forces to operate with their normal freedom. If we can manage our affairs with reasonable intelligence, the cost will be low and certainly the goal deserves our utmost efforts. We are trying to prevent World War III by building the might of America and with it the might and security of the free world.

Challenge to Soviet Sincerity in Peace Overture

*Statement by Edward W. Barrett
Assistant Secretary for Public Affairs*¹

To some people Moscow's so-called new propaganda line may seem to be a "peace offensive". To those of us who have studied it carefully, it is as phony as a "three dollar bill." At the most, I regret to say, it is what has been called a "Russian lullaby"—designed to lull us and the other free nations into letting down our guard. Actually, while Soviet propaganda to the non-Communist world seems on the surface to be more friendly than a few weeks ago, there has been no fundamental change of objective, and certainly no change in the vicious character of the vast flood of anti-free world propaganda inside the U.S.S.R. That goes for the printing of Mr. Morrison's message, for the reception of the Quaker Delegation, and for the Kremlin's new publication called *News*.

In the first place, this new gimmick of the Politburo's doesn't really call for friendship and cooperation at all. On close examination, it calls on the peoples of the West to betray the efforts of their governments to build up their defenses against the threat of Soviet aggression. In the issue of the *News*, for example, every single article of the first issue is chiefly concerned with this theme. Just take the little gem innocently titled "People I Met in Iceland". It was written by Khachatryan, the composer. After praising the Icelandic people, it gets down to the real point. This is to warn the Icelanders and other free

¹ Made on "Battle Report" over NBC Television Network on August 3 and released to the press on the same date.

people against those who are building military bases for defense of the free world.

The Politburo's new gimmick is phony also because it is clearly aimed at sowing disunity among the countries of the free world. Time and again, this new campaign charges stridently that the Americans are intriguing against the United Kingdom or other nations. Look, for example, at the *News* article entitled "Commonwealth and Common Sense". In this the author charges the United States with trying "to detach Australia and New Zealand from the Commonwealth." It warns against domination by U.S. big business. It charges Britain with being a tail to the American kite.

In the third place, the Kremlin's so-called co-operation campaign is phony because it is only one movement in a vast symphony of hate against the West, particularly against the United States. For years the masters of the Kremlin have been seeking to arouse in the Soviet population a frenzy of feeling against America. Recently, they have charged Americans with every conceivable crime in history against the Soviet people. They have shouted the propaganda slogan "The Russian people will never forget, and never forgive".

Now, most important of all, the Soviet campaign is phony because it is not accompanied by deeds. Yes, the Kremlin has found, apparently, that its former blustering propaganda has simply resulted in renewed determination among the peoples of the free world. So now they have changed the tone a little, though they have not changed the substance at all. Their purpose now is to make the Western free countries feel that there is really nothing to fear—that we can relax—so that we will be easy set-ups at some future date. It is a challenge to us, to all Americans, and to all free men, to remain calm, unconfused, resolute, and determined.

And speaking of a challenge, I would like to issue a challenge to the Soviet authorities right now. They say they are for Soviet-American friendship.

All right, if the Kremlin leaders are sincere about this friendship business, we challenge them again to print the President's letter and the Congress' resolution of friendship, so that all the peoples of the U.S.S.R. can see it for themselves.

If Mr. Stalin is really interested in friendship, he might begin by shutting down those hundreds of transmitters which are now doing nothing but trying to jam the Voice of America, trying to keep the Soviet peoples from hearing what the American people are saying to them.

If the Kremlin bosses really want to be friends, we will be glad to help them. We will offer tonight to furnish regular commentaries and addresses by outstanding Americans speaking to the peoples of Russia. We will send them out on the Voice of America beamed to the Soviet Union, so that Mr. Stalin's technicians can easily pick them up and

rebroadcast them to the millions behind the Iron Curtain. We will be glad to arrange a special broadcast every night for this purpose. If the Kremlin is interested, it should just send in its request. We will handle it without delay!

Mass Deportations in Hungary

Statement by Secretary Acheson

[Released to the press August 1]

In recent weeks the Hungarian Communist regime, in emulation of the Nazis, has resorted to the inhuman practice of mass deportations as a further instrument of oppression. Thousands of innocent and helpless Hungarians have been expelled from their homes in urban areas throughout Hungary, their only crime being that the regime considers them "undesirable," "unreliable," or out of sympathy with the Communist program. Under circumstances of the grossest brutality, they have been removed on sudden notice to the provinces, where they have been billeted under harsh conditions, some of them in detention camps. These evictions have affected persons of every age and from every walk of life and have resulted in innumerable individual tragedies which are perhaps beyond the full comprehension of those of us who live in freedom and security under a just and humane rule of law. The fate of the victims of this wholesale persecution is cause for the deepest apprehension on the part of all persons of good will, for there are already indications that many of these people face slow but inevitable death by exhaustion, disease, forced labor, or further deportation to an unknown destination. It is known that these deportees are closely restricted at their new locations and that many of them are living under extremely crowded and unhealthy conditions. Members of families have been separated in many instances. Women, children, and the aged are being forced to perform hard and menial labor. In most instances they have been allowed to retain only a few personal belongings. Some have committed or attempted suicide prior to their deportation and others, who have undergone the ordeal, have also sought this escape.

The uncivilized conduct of the Hungarian Government has aroused profound indignation throughout the world. I wish to reaffirm solemnly the statement of the President on July 27, 1951, that the United States Government regards the deportations being carried out by the Hungarian Government as a further flagrant violation of the provisions of the Treaty of Peace which obligate that regime to secure to all persons under its jurisdiction the enjoyment of human rights and of the fundamental freedoms. It is my understanding

that the Government of the United Kingdom and the Government of France feel equally strongly about this matter.

If the Hungarian Government has any regard for the dictates of justice and humanity, it must end immediately the deportation of Hungarian citizens and permit these persons to return to their homes without further molestation or to depart freely from Hungary and accept such safe haven as may be offered them by the governments of other lands.

It is imperative that the free governments of the world should continue to scrutinize most closely the further attitude and behavior of the Hungarian Government in this matter. As the President announced in his statement of July 27, the Government of the United States intends to take all possible steps to expose this situation to public

view and judgment and to render the Hungarian Government accountable before the world. This Government will accordingly in due course present all available evidence on this subject to the Secretary-General of the United Nations in conformity with the resolution adopted by the United Nations General Assembly on November 3, 1950, which invited all member nations to submit such evidence concerning violations of human rights by the Hungarian Government, as well as by the Governments of Bulgaria and Rumania. The United States Government is also taking careful note of the identity of individual Hungarian officials, including the highest authorities, who have participated in any way in carrying out these mass deportations, in order that their responsibility may be made fully known and their acts publicly stigmatized.

Germany—the Main Objective of Soviet Policy

By John J. McCloy

U.S. High Commissioner for Germany¹

... Basically, the world situation facing us today is about the same as it was at our last meeting, nine months ago. Little has happened to make the world look much brighter than it was in October last. The ultimate purposes of the Soviet Union have clearly not changed. All around the world in the satellite countries, in Indo China, Malaya, Tibet, Iran, Iraq, Yugoslavia, there remained powerful signs of unrelenting pressure and constant scheming to achieve totalitarian aims. Nothing on the horizon would give any reasonable basis for looking forward to an early surcease of strain, or the ending of the need for rapid build-up of our strength to counter the still heavy preponderance of the Soviet forces. To be sure, the Soviets have sharply stepped up their emphasis upon peace in their propaganda. But by peace, they apparently mean a condition by which their own aims could not be successfully opposed. They are plainly concerned over the stimulus that Korean aggression has given to the defense measures of the West. The United States has become the main butt of their hypocritical attacks; but their objective is to create and exploit disagreements, conflicts of policy, confusion of opinion wherever they can be found in the free world.

To this end the Soviets, and those working with the Soviets, have made proposals designed to give the appearance of a desire to seek peaceful settlements of burning issues; but when reasonable and

concrete steps are to be taken, they appear to draw away, as was evidenced at the recent meeting at Paris. I can't comment on the negotiations in Korea, which I see by the morning's paper have been resumed; but there does appear to be an aroma of distrust about them which, together with the undoubted build-up of forces in Northern Korea, do carry an ominous note. In short, there is no evidence that though the Soviet or the Communist tactics may shift, there is any abandonment of their fundamental policy of seeking to find areas where new pressures may be applied and new strains may be induced. Germany remains today, as it has for the last few years, the main objective, or at least the main intermediate objective, of their policy.

In the face of the Soviet menace, the country at home seems to be convinced that the inescapable task is to build up our nation's defense and to strengthen the ability of all free nations, who show a will to defend themselves, against Communist aggression. There is, of course, criticism of policy and programs, but none of it seems to me to cast any doubt on the determination of the people or of the Government to get on with the work in hand. There is much informed talk about the new equipment, new aircraft, tanks, and some amazing developments in the field of atomic energy; a deep sense of shock over the way things have gone in Asia, and much uneasiness over the situation in Iran. But the hearings on the MacArthur recall seem to have had a very interesting and somewhat sobering effect on the people as a whole. Originally prompted by the criticism, by

¹ Excerpts from an address made before the Third U.S. Resident Officers' Conference at Frankfurt, Germany, on July 16 and released to the press by HICOG on the same date.

many people, of General MacArthur's recall, or at least the manner of it, the investigation has turned, as you know, into a rather complete analysis of our Far Eastern policy. The testimony that has evolved was frank, most detailed, and the questions were often very penetrating. But, in the end, I gathered the impression that the responsible leaders who testified held their own, if they did not increase their stature, in their appearance before the committee.

German Participation Necessary to European Defense

This emphasis upon Asia apparently led some Europeans to fear that Europe might be overlooked or neglected, but this, I think, is clearly a mistaken view. The threat to Europe, and the importance of helping Europe meet the threat, are fully recognized by all with whom I talked. The most immediate concern was with European security, and the measures needed to strengthen it. This is recognized as a problem not only of the present emergency but of the long term, and requires not only military strength but economic strength and social stability. Viewing it in this light, there is a widespread conviction in the United States that Europe cannot long play a decisive role as a mere series of independent states. They see every state in Europe, including Germany, heavily dependent upon outside help in order to maintain its economy. They see on every side emphatic assertions by each country of its inability to defend itself without outside aid. Yet they see that together these countries represent enormous strength in material resources, manpower, and cultural development. It may be oversimplification, but the conclusion for the thinking people in the United States is that Europe must find some way, some pattern, or formula by which its strength can be constituted in effective unification. The American people recognize that the difficulties along this route are very great, but they see no alternative. I think they are influenced not only by the limitations of the individual states but by the fact that this is the trend of the times. With the vast areas of the East drawn together, they see the necessity of marshalling the great resources and energies of Europe, to enable Europe to maintain adequate defense without undermining its living standards and its great social fabric. In Europe, as elsewhere in the world today, it is useless to seek protection in a national shell when bombers will shortly be built to encompass the world with about the ease that they have only recently been crossing the Atlantic.

All Problems Exist on a World Basis

While I was home, I had the privilege to attend the Harvard commencement exercises, and of a number of speeches, there was one by Thornton

Wilder. I wish I could do justice to it. It was a speech, very eloquent, somewhat explosive, and very poignantly expressed; so I can't really do it justice by trying to repeat it here. His theme was the necessity of facing all problems on a world basis. He emphasized the fact that there were no longer any areas in which one could find refuge. He even, to the great shock and consternation of the class of 1900, indicated that there was no longer any New England; no longer, as he puts it, any psychic nest to which one could withdraw; and it seemed to me that he hit the nail on the head in expressing the concept which this year's graduating class ought to take with them as they went into the world.

Now this attitude, I think, explains why, in the United States, the Schuman Plan has been so widely hailed at home. Economically it is viewed as the first radical attack on the splitting up of Europe by boundaries, tariffs, cartels, and other barriers and restrictions against the most efficient use and development of industry and the economic resources and talents in Europe. Its concept of a common market for coal and steel is considered as a forerunner of similar steps for other commodities and services. Even more, perhaps, the support for the plan comes from its political implications. The fact that the six nations have undertaken to surrender some part of their sovereignty to European institutions charged with fostering the common interest is looked on by many as the first step toward European federation. Finally, the plan is considered as a fundamental step in creating peaceful Franco-German relations by the joint recognition of their joint interests in the large European community. For all these reasons, the United States and its people are keenly watching the actions toward ratification as a sort of test of whether the European countries are yet prepared to work together in creating a progressive European community which will advance the interests of all and overcome the cleavages of the conflicts of the past.

For similar reasons, there is great interest in the United States in the proposal for a European defense structure, now under discussion in Paris. This too, if it can be created on a sound and effective basis, would be a tremendous further stride on the road to European unity and Franco-German rapprochement.

Now this general framework of views is a setting for the attitude toward Germany. Those to whom I've talked at home fully recognized that Germany was the major target of Soviet aggressive policy. For that reason, the members of the Appropriations Committee, with whom we discussed our expenditures of both dollar, and this time, counterpart funds, were greatly interested in the programs to improve community life in Germany, especially for the youth, and seemed to support our programs in this field to the full. (I hope I'm not anticipating anything when I say that, because

the committee reports have not come in yet; but that was the general impression that I gained. I don't mean to anticipate the committee's decision.) The fact that so much of our budget was now directed to what one might call the spiritual and the social rebuilding of Germany rather than to the commercial and economic rehabilitation of the country was, I should say, generally applauded; but running through all the questions, all the questioning and all the comments, were the thoughts of the Senators as to what we were really accomplishing in Germany. How realistic is the new German State? Can we expect that it will take a respectable and helpful part in the maintenance of Western civilization and the preservation of its liberties? What is the real attitude of the Germans toward military participation and defense of the West? Is it true, as we so frequently hear, that German nationalism is on the rise? What real significance was there in the recent expression of Neo-Nazism in Lower Saxony? Will there emerge from the new state a liberal, democratic, tolerant nation, or do we have to endure once more from Germany some new political aberration that will mark her fundamental unreliability, as a world partner? If these questions could be answered favorably, there would be utmost good will available for Germany. I found that the leading figures engaged in formulating our foreign policy were quite prepared to relinquish to Germany wide authority and powers, very wide indeed, if convinced that the trends in Germany were solidly developing in the right direction. The feeling was general that if we could not be satisfied as to these trends we ought to maintain our controls even though it would mark to some extent the failure of our efforts. But every hope was cast in favor of relinquishment.

I think our leaders are convinced that there is no realistic defense of Western Europe, including West Germany, without some form of German participation. They recognize that if Germany does participate, her political status should be substantially changed, and she should be given an honorable and self-respecting role in any defense system. There is a very clear-cut determination to permit such participation only within a larger organization and only if based on a true democratic support. The fear of Germany going off on a military venture of her own, in the light of past experiences, has not completely died out, even though it may appear unrealistic at the moment. I would not say that anyone has drawn a deadline in the matter, but there is a general sense of urgency to restore the balance of strength in the world, and that whatever is necessary to do to bring that about we should be doing now and not later. Time is growing short to make these decisions, but again the recognition is complete that it is a decision which the Germans must make for themselves. It cannot be induced or dictated from the outside.

Soviet Demand for German Merchant Marine Vessels Rejected

[Released to the press August 2]

U.S. Note of July 31, 1951

The Secretary of State presents his compliments to the Chargé d'Affaires ad interim of the Union of Soviet Socialist Republics and refers to previous communications with respect to the report and recommendations of December 4, 1947, of the Tripartite Merchant Marine Commission (TMMC) in regard to the distribution of the German merchant fleet.

The Soviet Government is informed that the Government of the United States has decided not to approve the above-mentioned report. The Tripartite Commission constituted a committee of experts who were authorized solely to make "recommendations" to their governments. The respective governments were under no obligation to approve these recommendations. The contention of the Soviet Embassy that the Soviet Government is "legally entitled" or "has a legal right" to the vessels recommended for allocation to the Union of Soviet Socialist Republics in this report is therefore erroneous.

Soviet Note of March 20, 1951

Upon instructions from the Soviet Government, the Embassy of the Union of Soviet Socialist Republics has the honor to communicate the following to the Department of State of the United States of America.

In the Embassy's note No. 89 of May 26, 1950, the attention of the Department of State was called to the fact that up to that time the Soviet Government had not received any information concerning the approval by the Government of the United States of America of the second report and the recommendations of the Tripartite Commission for the Allotment of Vessels of the German Merchant Marine of December 4, 1947, although more than two and a half years had elapsed since the day on which the aforesaid report of the Commission had been submitted. As a result of the delay in the approval of this report by the Government of the United States of America, the Soviet Union has not received, up to this date, the 13 vessels of the German merchant marine which are due it and to which it has a legal right in accordance with the recommendations of the Tripartite Commission mentioned above.

Considering that a 3-year period appears more than sufficient for the examination and approval of the aforesaid report, the Soviet Government would like to know whether the aforesaid report and the recommendations of the Tripartite Commission have been approved by the Government of the United States of America.

German Federal Republic's Monthly Economic Review¹

Early reports for the month of May indicate some slowing in the rate of improvement of the Western German economy evidenced during the earlier months of this year. The index of industrial production shows output slightly below the postwar record of April, with the greatest decline in the manufacture of consumer products. Holidays and the continuing shortage of raw materials were responsible for the slow expansion of production in some industries while in others, particularly the consumer goods industries, slackening demand and the resultant accumulation of excess stocks were the responsible factors. Crude steel and pig iron production during May advanced three percent and a little more than six percent respectively, but the daily average output of hard coal dropped two percent.

The reduction in world market prices noted during the preceding two months had only begun to reach the West German internal economy as basic materials prices dropped two percent, industrial producer prices halted their preceding month's rises and consumer prices moved up, but only 1.4 percent. Earlier import licensing restrictions designed to end Germany's foreign payments deficit, cut May's imports to \$248,000,000 and—for the third consecutive month—brought a favorable balance of trade as exports rose to \$273,000,000.

With rising production and employment, developments during April and May in the Western German economy showed a steady over-all improvement. The foreign trade surplus reported for April was repeated in May. Preliminary figures show that May exports exceeded imports by \$25,000,000² as compared with April's \$18,000,000. With a European Payments Union (EPU) payments surplus in May, the cumulative deficit has been brought below the credit quota originally set for the Federal Republic.

The index of industrial production rose another four points, but although a postwar record of 139 percent of the 1936 level has been reached, there are signs of weakening in the indexes for May or June, particularly in consumer goods output.

¹ Reprinted from the July issue of the *HICOG Information Bulletin*; prepared by the Analytical Reports Branch of the Program Review Division of the Office of Economic Affairs, HICOG.

² Deutschemarks 105,041,000 at the official rate of 23.8 cents to DM 1.

Employment reached a new peacetime high by the end of May, and the number of registered unemployed showed another decline to less than in mid-August 1950.

Basic material prices fell in April and May, and the May index of industrial producer prices remained at the April level. The consumer price index, however, continued to rise, 1.5 percent in April and 1.4 percent in May.

Foreign Trade

In April 1951, for the first time in the postwar period, Western Germany's monthly exports exceeded imports to show a \$18,000,000 trade surplus. Total exports of \$274,600,000 in April were at a record level for the second consecutive month. Total imports of only \$256,600,000, the lowest figure since October 1950, clearly showed the effects of the temporary suspension of licensing of imports from the EPU area in late February and in March.

The true significance of the April foreign trade figures becomes apparent when three facts are noted:

(1) Prior to April 1951, the postwar month of least total foreign trade deficit was May 1950, when imports were \$161,100,000, exports were \$140,300,000, and the deficit was \$20,800,000. While trade in May 1950 amounted only to \$301,400,000, the April 1951 total was \$531,200,000, or 76.2 percent higher than a year ago.

(2) The highest postwar figure for monthly imports was \$314,800,000 in December 1950, when exports were \$241,100,000. Had imports in April been at this postwar high, they would still have been covered 87.3 percent by April exports.

(3) ECA- and GARIOA-financed imports in April 1951 amounted to \$50,400,000. Thus, the commercial balance of trade in April shows exports exceeding imports by \$68,400,000, as compared to the excess of \$18,000,000 when total trade is considered.

On an area basis the export rise was chiefly accounted for by increased shipments to the United States (\$18,700,000), South America (\$24,200,000), Yugoslavia and Finland (\$6,700,000), and the OEEC sterling area (\$23,800,000). The decline in imports was almost entirely from the OEEC group, both sterling (\$27,200,000) and non-

sterling (\$91,800,000). Imports from the United States of America (\$54,400,000), South America (\$21,600,000), and Yugoslavia and Finland (\$4,800,000) were all higher than in March 1951. Both exports to (\$6,200,000) and imports from (\$5,200,000) the Soviet Bloc were slightly lower than in the previous month.

A commodity breakdown of exports disclosed that the increase was wholly in finished goods. These were \$199,300,000, or almost three-fourths of total exports. All major commodity groups suffered equally in the import decrease.

In the month of May the surplus with ERM amounted to \$81,152,000 (\$45,071,000 in April), reducing the cumulative deficit to \$319,585,000. The Federal Republic is thereby enabled to repay the special ERM credit, and, in addition, has brought its cumulative deficit within the quota originally accorded it. Germany will be refunded the net dollar payment of \$30,666,000 made after it had exceeded the quota and will also receive a dollar payment of \$332,000, which is 80 percent of the amount by which the net cumulative deficit fell below the original quota of \$320,000,000. Therefore, Germany will receive a total dollar payment of \$30,998,000. Repayment has occurred much earlier than had been anticipated.

Industry

The volume of industrial production in April expanded substantially to new postwar record proportions despite persistent reports of raw material shortages. During the month the index of industrial production (excluding building, stimulants and food processing) rose by four points to 139 percent of the 1936 level—well beyond the 135 postwar record of November 1950. Production in the iron and steel and steel construction industries, among those showing decreases during the last few months, increased in April by 10 and 13 percent, respectively.

The index of both investment goods and general production goods continued to increase. Production of raw materials, showing a nine-point increase in April, has had a remarkable expansion since January of almost 18 percent. Consumer goods output continued its slow increase from the January low point (115), but rose only 1½ percent over the March index.

Production increases in the various industry groups were almost general during April, and especially strong in the finished goods group, steel construction rising 13 percent. Of the 29 industry groups for which data are available, 23 showed increases in output and five showed decreases. The largest increases were in stones and earths, iron and steel (excluding castings). Important decreases were in leather production, rubber and shoes.

The index of orders received in selected industry groups in Western Germany during March went

down for the first time in three months by 11.3 percent to 186 of the 1949 monthly average—a greater decline than in September 1950, when orders fell off after the first Korean boom. Orders received in March dropped in both the production goods and investment goods industries, but there was a sharper decline in the consumer goods industries. The discrepancy between orders received and current sales is still especially high in machinery (orders 157 percent of sales), drawing plants and cold rolling mills (149 percent of sales as compared to 302 percent in August 1950), and iron and steel foundries (146 percent of sales).

Coal

Hard coal production in May amounted to 9,372,000 tons, somewhat lower than April's 10,023,000 tons. Daily average production (excluding Sundays and holidays) was 388,038 tons, compared with 396,000 in April. Total commitments for United States coal are now estimated to be approximately 2,500,000 tons with deliveries running through the first quarter of 1952. Actual United States loadings of coal consigned to Western Germany for April were reported to be 210,000 tons. About 80 percent is scheduled for the iron and steel industries, the remainder for the textile, paper and cement industries.

The third quarter coal export allocation of 6,200,000 tons, as set by the International Authority for the Ruhr, has aroused considerable antagonism within the Federal Republic. Probably appeals will be made to the Allied High Commission to reduce this quota substantially, since there is a recognized shortage of coal for increasing steel production and other basic commodities as well as the need for stock building by industries and public utilities.

The Federal Government has proposed an increase in coal export prices of DM 14.70 per ton, which, if adopted, would increase the differential of export prices over inland prices to DM 17 per ton. The Federal Government will attempt to justify this price increase as making a contribution to a proposed investment program for the coal mining industries, which contribution would total some DM 316,000,000, and with other funds totaling DM 2,800,000,000 by the middle of 1953, would develop a daily production of 450,000 tons of hard coal. The proposed increase may not be acceptable, since it appears to be contrary to the purpose of the Schuman plan.

Iron and Steel

Crude steel production (ingots and castings) during May totaled 1,154,000 metric tons (MT), with a daily average production of 48,083, to bring both figures well above the April production, and set a new postwar daily production rate. April output totaled 1,121,300 MT, and a daily average of 44,852 MT. It is estimated that 125,000

MT of the total were produced with United States coal imports. For the first time in months, orders received were in balance with outgoing shipments, so that April saw no increase in the backlog of domestic or export orders.

Pig iron production rose from 866,500 MT in April to 919,980 MT in May, which increase is mainly the result of higher imports of coke from the United States. However, there is almost negligible improvement of the inland situation of iron and steel, since the steel barter deals against American coke require extensive exports of steel to the States. Actual relief can be expected only with higher deliveries of German coke to the mills.

Scrap collections have not improved materially, and were estimated in April at 525,000 MT, of which 40,000 MT were exported. The German scrap drive has developed very slowly and tangible results are not expected before July. The iron industry will contribute DM 5,000,000 for promotion of scrap mobilization. This money will be spent for salvaging ships, bridges and other scrap projects, and for wide publication on scrap collection.

Severe sheet metal shortages are reported by the iron, metal and steel industry. Some firms were forced to dismiss workers, and 70 firms introduced the "short week." Only 60 percent of the needed metal wares were delivered, which is already affecting some buyers, e. g., the export business of the chemical industry is endangered by insufficient metal packing material.

The production of aluminum increased to 6,000 tons, and the production of copper and zinc remained about the same. Lead production showed a slight decrease, however, due to the insufficient supply of ores and scrap, and it is expected that two smelters will close down soon.

Copper scrap as well as ores are in short supply. The copper smelters can maintain the present level of production only by accepting more processing contracts for foreign accounts. Processing contracts a year ago averaged 2,500 tons monthly, but now run 3,000 to 3,500 tons monthly. The coal allocation, although slightly increased, is insufficient and some United States coal has been imported. Average stocks are 14 to 16 days' supply—half normal stocks.

Chemicals

Although the May coal allocation was reduced to 248,000 tons from 282,000 tons in April, over-all production has been maintained at about the previous level. The smaller coal allocation is partially alleviated by imports, barter deals and use of more low grade fuels. There was adequate hydroelectric power in Bavaria for the chemical plants, but the shortage of coal cut the production of calcium-carbide and calcium-cyanamide. Due to curtailed imports of phosphate rock from North Africa, two major superphosphate firms

were forced to close down. The French agreed to ship 40,000 tons of phosphate before the end of June, however, and it was hoped trade negotiations in Paris would soon bring increased imports.

Current potash production, only two percent below the 1938 output, totaled 986,000 tons for the German fiscal year just ended, a 20 percent increase. A further 20 percent boost in output is planned for the coming year.

The cement industry continued to complain during May of coal shortages, which caused many plants to continue at 40 to 50 percent operation. Plants with a large export business, however, are getting United States coal from their dollar earnings to permit full operation.

The cotton textile industry began to curtail operations in May. Many weavers operated five days per week instead of the customary six days, due to serious decline in domestic sales without any increase in exports. The trend, it was feared, might worsen during June and July. This comes at a time when raw cotton is becoming scarce, and perhaps many plants will be forced to curtail operations, anyway, before the new United States cotton crop is available this fall. Raw cotton stocks are now about 2½ months, with 4-5 months' yarn stocks on hand at the spinners and weavers. In view of this situation, an increased interest is being taken in exports of cotton textiles.

The tanning, shoe and leather goods industries continued curtailment in May due to declining domestic sales and despite price reductions. Many firms reported difficulties from a shortage of operating capital which is aggravated by the drop in sales. Loans from banks or the government have been requested to tide over this period.

Rail Traffic Developments

The month of May with its many holidays brought a drop in freight car demands on the federal railroads. Consequently the critical freight car situation improved considerably and the Federal Railroad System was able to return 2,000 freight cars hired from France and 1,000 rented from Belgium. In spite of this momentary improvement, the outlook for the harvest remains unfavorable. The stock of serviceable freight cars now is 247,000, but a minimum of 270,000 will be required in the fall and no orders for new construction have yet been placed.

The 100,000 common wagon park between the German railroads and the French railroads (SNCF) became operative on May 1. The common car office opened in Paris on that date is headed jointly by one German and one French rail official. The additional marking on the cars belonging to the common pool will consist of the word "EUROP," which will strongly underline the intention of the French and German railroads that this pool is intended as a forerunner of a single European car park.

Finance

Combined federal and state fiscal operations yielded a surplus of DM 454,800,000 for the last quarter (January–March) of the 1950–51 German fiscal year. The over-all deficit of DM 1,015,300,000 resulted from the deficits incurred in the first three quarters: April–June 1950, DM 993,300,000; July–September 1950, DM 93,400,000; October–December 1950, DM 383,400,000; and January–March 1951, DM 454,300,000.

Since currency reform (June 20, 1948), the expenditure pattern has shown the greatest spending during the April–June quarter, with a decrease during the October–December and January–March quarters to a low in the July–September quarter. Thus, the seemingly favorable development of a surplus in January–March 1951 stemmed primarily from seasonal factors affecting both revenues and expenditures. Expenditures other than occupation and related costs were DM 352,000,000 lower than in the preceding quarter.

Revenues reached record heights for January–March 1951. Most of the increase over the previous quarter resulted chiefly from the many annual tax accounts collected in January, and also from the increasing general revenue trend, especially in the turnover and income taxes. Much of the profits of the July–November period of business expansion was reflected in January–March income tax collections.

Another factor affecting this surplus was the fact that the increase in occupation costs and related expenditures was less than expected. These expenditures increased by only DM 122,600,000 over the previous quarter to reach DM 1,181,800,000, which is approximately DM 400,000,000 below estimated cash requirements of the various administrative services. As the 1951–52 budget calls for greatly increased occupation costs, substantial deficits can be expected in the near future if these costs are accurately estimated at their high level and unless federal and state revenues are increased or sources extended.

Labor

The downward movement of unemployment, which had slackened appreciably during the first part of May (down 9,700), regained momentum during the latter half when unemployment dropped by 49,500 for a monthly decrease of 59,200. Since mid-January 1951, unemployment has declined by 524,000, thus compensating for 77 percent of the winter increase.

As of the end of May 1951, registered unemployment in the Federal Republic had been reduced to 1,386,900, or somewhat less than in mid-August 1950. In terms of the estimated wage- and salary-earning labor force, the unemployment rate has dropped to 8.7 percent as against 9.1 percent in April 1951 and 10.9 percent in May 1950.

The improvement in the unemployment situation continues to be most evident in the agricultural states which were most severely affected last winter by seasonal influences. The three major farm states, which have 61 percent of total unemployment, accounted for 72 percent of the unemployment drop during the latter half of May 1951.

On the whole, the employment situation continued to be favorable with higher employment in building and construction, manufacturing industries taken as a group, agriculture, and in trade and commerce. Estimated employment of wage and salary earners, climbing slightly above the 14,500,000 mark, achieved another new peacetime high for the federal area.

Seasonal causes, especially expanding activity in building and agriculture, remain the chief factors in the employment rise. The increase in building employment, however, was significantly less in May than in April 1951 due perhaps to the interim which usually prevails between the completion of construction begun the year before and new building. The effect of difficulties in financing, especially of housing, cannot yet be clearly determined. However, employment in the building industry now stands at the level of about midsummer 1950.

Manufacturing employment also attained a new postwar record in May with the increase coming almost exclusively, as in April, from the capital goods industries, almost all of which increased their staffs. Automobile plants, which had had to curtail working time due to raw material shortages, resumed more normal schedules.

Prices

During April the sharp rate of increase in recent months of the three major price indexes slowed noticeably. The basic materials price index actually showed a drop of one point from 251 to 250 percent of 1938, which is the first decline since April 1950. The index of industrial producer prices continued earlier increases, but at a much slower rate (+1.8 percent), to reach 222 percent.

The only decline in the index was in the group "iron, steel and non-ferrous metals, including castings" due to a decrease in the "non-ferrous metals." The most important rise was in "chemicals, plastics, rubber and asbestos," while the upward trend in "sawmills, woodworking, paper and printing" continued—caused by rising pulp and paper prices. The consumer price index went up by 1.5 percent to reach 163 percent of 1938. All the items with exception of rent increased slightly.

Berlin

In April, with one more working day than March, the value of industrial deliveries totalled DM 210,300,000 (excluding building industry), a slight increase over the previous month, and a new post-blockade record. The largest percentage

gains, as compared with March, were recorded in fine mechanics and optics, chemicals and pharmaceuticals, and structural engineering.

Industrial employment, which in March had also reached its highest level since the end of the blockade, increased somewhat during April, reaching almost 160,000. Total employment during May increased by 4,200, due chiefly to new hirings under the Work Relief Program. The number of gainfully occupied totaled 887,900 at the end of May. The registered labor force increased by less than 1,000; during the second half of the month, it showed a slight decline for the first time this year. Unemployment was 286,700, a decrease of 3,300 below April.

For the first four months of 1951, Berlin's deficit in current commodity trade with Western Germany and foreign countries amounted to an estimated DM 519,200,000. Since exports to foreign countries (DM 64,300,000) were approximately balanced with imports from such areas (DM 60,300,000), the deficit arose in trade with Western Germany. For the comparable period of 1950, the deficit was about DM 406,000,000, but since the 1950 total trade volume was substantially smaller, the relative position of the city has improved.

I.G. Farben Invites Shareholders To Declare Stocks

[Released to the press August 3]

The Department of State announced on August 3 that the United States High Commissioner for Germany has invited I.G. Farben shareholders to declare their shares. This step is part of the reorganization and dispersal program of I.G. Farbenindustrie A. G. and prepares for the allocation to shareholders of stock in the successor companies.

The procedure by which shareholders may make their declaration is as follows:

(a) Declaration forms may be obtained from the principal banks in Western Germany, or by writing to the Tripartite I.G. Farben Control Group, Shareholders Registration Department, Mainzer Landstrasse 28, Frankfurt/Main, Germany. In the latter instance, a self-addressed return envelope should be enclosed.

(b) These forms are to be completed and returned in duplicate to the above mentioned Registration Department.

(c) The time limit for registration is four months beginning July 3, 1951, for shareholders with domicile, head office or administrative office in Western Germany (including Western Berlin), or six months from the same date for shareholders whose domicile or office is outside Western Germany or Western Berlin.

Shareholders are advised that those who do not register their securities in accordance with the above procedure run the risk of receiving compensation other than an allocation of the stocks of the new companies formed from out of the

Farben complex. On the other hand, shareholders will not be subject to legal proceedings with respect to any violation of article 3 of Allied High Commission Law No. 35 and related legislation (forbidding all transactions connected with the shares of I.G. Farben) which might come to light from the filing of the registration form provided that such violations occurred before July 3, 1951.

President Points out Financial Crisis In Palestine Refugee Program

[Released to the press by the White House July 27]

The President sent identical letters on July 27 to Kenneth McKellar, Chairman, Committee on Appropriations of the United States Senate, and Clarence Cannon, Chairman, Committee on Appropriations of the House of Representatives. The text of the letter follows:

MY DEAR MR. CHAIRMAN: I wish to call to your attention a critical situation which now exists with respect to the financing of the Palestine Refugee Program of the United Nations. This program of relief to Arab refugees displaced from Palestine was carried on during the fiscal year 1951 through contributions from participating countries, including a contribution from the United States of \$25,450,000. The Mutual Security Program now before the Congress includes a request of \$50,000,000 for the United States contribution to this program in the fiscal year 1952.

In the July Joint Resolution making temporary appropriations, no provision was made for the Palestine Refugee Program. The program was carried forward during July, however, through the use of existing stocks and funds from other sources. Available resources are now nearly exhausted.

One of the principal causes of tension in the Near East is the miserable state of the hundreds of thousands of Arab refugees from Palestine. A major step forward was recently made when the Arab League went on record in favor of a massive program of resettlement of Palestinian refugees in the Arab States. Grave damage to this program is likely to result if the present aid program collapses because of a temporary shortage of funds.

I therefore urgently request that the pending continuing resolution provide \$2,000,000 for the month of August and \$3,000,000 for the month of September. Such a contribution is essential to prevent the starvation of many refugees and to avoid a deterioration in the present critical situation in the Near East.

Respectfully yours,

HARRY S. TRUMAN

Export-Import Bank To Assist in Philippine Rehabilitation

[Released by Export-Import Bank July 31]

The imminent departure of a four-man delegation to the Philippines was announced on July 31 by the Export-Import Bank.

Lynn U. Stambaugh, a member of the Board of Directors of the Bank, will head the group. He will be accompanied by Edward S. Lynch, Economic Adviser, Victor F. Hasenoeherl, Financial Specialist, and Winter K. Graves, Engineer, all members of the regular staff of the Bank.

The Export-Import Bank representatives are going to Manila on the invitation of the Philippine Government to assist that Government in identifying productive projects, which will contribute to economic development in the islands and to the stability and productivity of the economy of the Philippines, and may thus be eligible for consideration for financing by the Bank.

The Export-Import Bank representatives, who will arrive in Manila on August 3d, will work with representatives of the Economic Cooperation Administration, now in the Philippines. This ECA-Export-Import Bank group will assist the Philippine Government in its plans for the rehabilitation and development of the Philippine economy as a follow-up on the recommendations made by the Bell Mission sent to the Philippines last year for the purpose of studying the problem of financial and economic rehabilitation.

Payment on Mexican Lend-Lease Obligation Complied With Instruction

[Released to the press August 3]

During the past few days, various reports have appeared in the press concerning an alleged transfer of 1 million dollars from Mexico to a New York City bank by Ambassador William O'Dwyer. Some of these reports have created the unfortunate impression that the transaction was extraordinary and even irregular. These reports have absolutely no basis in fact.

The following is a brief description of what actually transpired:

On March 3, 1951, the Government of Mexico delivered to the Embassy in Mexico City a dollar draft in the amount of 1 million dollars drawn on the Chase National Bank, city of New York, as an installment payment on its lend-lease obligation to the United States. The draft was made out to William O'Dwyer, Ambassador of the United States of America, in his official capacity. This draft was returned to the Mexican Government in exchange for a check in the amount of the peso equivalent of 1 million dollars, this Government

having previously exercised its option in accordance with the lend-lease settlement agreement to accept payment in local currency for the purpose of meeting operating expenses in Mexico. This check was deposited to the credit of the Government of the United States in the Mexico City Branch of the National City Bank of New York.

The transaction was carried out by the Embassy in Mexico City with the full knowledge and in accordance with instructions of the Department of State. In no way did it deviate from accepted practices in such cases.

U.S. Nominees For Panel of Conciliators Under Brussels Intercustodial Agreement

[Released to the press July 29]

The United States has nominated three candidates for the Panel of Conciliators to be set up under the Agreement Relating to the Resolution of Conflicting Claims to German Enemy Assets, otherwise known as the Brussels intercustodial agreement. The United States nominees are Arthur B. Koontz, well-known attorney of Charleston, W. Va.; Malcolm S. Mason, formerly General Counsel of the Office of Alien Property; and Owen J. Roberts, formerly Associate Justice of the Supreme Court of the United States.

Article 35 of the Brussels intercustodial agreement, which has been signed by the United States, Canada, Belgium, Denmark, Luxembourg, and the Netherlands, and which went into effect January 24, 1951 (Department of State press release No. 93 of February 6, 1951), provides that each signatory party may nominate not more than three candidates for election to the Panel of Conciliators. Article 35 further provides that the parties to the agreement shall elect from the candidates seven conciliators, who shall constitute the panel. However, not more than two nationals of the same country may be elected to the panel.

Article 37 of the Brussels intercustodial agreement provides that in the event a dispute between the parties to the agreement is not resolved within a reasonable time, a party may request the appointment of a conciliator from the panel for the settlement of the dispute. The solution formulated by the conciliator shall be final and binding upon the parties concerned.

The types of claims covered by the Brussels intercustodial agreement are those where the Alien Property Custodian of two countries both claim the same German external asset or where an Alien Property Custodian claims that certain property is a German external asset and a national of a friendly country claims the property is owned by

him beneficially through an intermediate corporation. With regard to this latter type of case, the Department of State refers to Department of State press release No. 93 of February 6, 1951, which requests American claimants who have interests in property falling under the agreement or in other property in Allied or neutral countries which has been seized or blocked as enemy property to submit information to the Department of State on the basis of which the Department may take action to protect their interests.

Use of Individuals and Companies By VOA

*Letter from Assistant Secretary Barrett
to Representative John J. Rooney¹*

July 25, 1951.

DEAR CONGRESSMAN ROONEY: In fairness to the individuals and the companies concerned, I think the record should be set straight on the use of outside radio commentators, writers, and private corporations in the United States International Information and Educational Exchange Program.

As you well know, it has continually been suggested by many individuals, including Members of both parties in Congress, that this program should utilize as fully as possible the best professional talent obtainable. It has also been emphasized that we should utilize fully services and facilities of private American agencies. In fact, Public Law 402, the basic legislation for this program, calls upon the Secretary of State "to utilize, to the maximum extent practicable, the services and facilities of private agencies, including existing American press, publishing, radio, motion picture, and other agencies, through contractual arrangements or otherwise. It is the intent of Congress that the Secretary shall encourage participation in carrying out the purposes of this act by the maximum number of different private agencies in each field consistent with the present or potential market for their services in each country."

Naturally, the Department of State has tried to comply with these very sensible and constructive suggestions and instructions. As one part of this program, we have utilized the part-time services of well-known American radio commentators in reaching our world-wide English-language audience and in reaching audiences in other languages. Such commentators have been extremely generous in doing this work at nominal rates far below the pay scale they normally receive. I hardly need to tell you that it is a gross injustice for anyone to imply that a distinguished American

radio commentator could be swayed to change his views in any respect because he received a nominal fee of \$50 to undertake a special broadcast for the Voice of America. On the contrary, these men deserve very sincere thanks from the Nation for doing this work at fees substantially below those they can command elsewhere.

U.S., Greece Sign Treaty of Friendship, Commerce, and Navigation

[Released to the press August 3]

A treaty of friendship, commerce, and navigation between the United States and Greece was signed on August 3 at Athens. Ambassador John E. Peurifoy signed for this Government, and Premier Venizelos signed for Greece. The treaty must be ratified by both Governments before it will become effective.

This treaty marks a significant forward step in the close treaty relations which have existed between the United States and Greece for over a century. It is the second treaty of this general type to be concluded by the two Governments, the first being the Treaty of Commerce and Navigation of 1837, which was in force until 1921. The new treaty reestablishes, for the first time since 1921, a comprehensive formal basis for the conduct of general economic relations between the two countries. Since the termination of the earlier treaty, economic intercourse between the two countries has been governed mainly by provisional commercial arrangements and by a short establishment convention signed in 1936. These agreements, however, were essentially interim measures intended to be replaced by a comprehensive treaty of friendship, commerce, and navigation. Years of war and international crisis intervened, however, and it was not until last summer that the actual negotiations, successfully completed today, could be undertaken.

The new treaty establishes a set of advanced principles to govern basic economic relations between the United States and Greece and to serve as a practical means of directing the future development of those relations along mutually beneficial lines. The treaty contains 28 articles and deals in considerable detail with a wide range of subject matter. In general, it covers the same ground as other treaties of this kind concluded by the United States in recent years and covers it in much the same way. In brief, the provisions of the treaty fall into seven broad categories: (1) entry of persons, travel, and residence; (2) basic personal freedoms (3) guarantees for property rights; (4) the control and conduct of business enterprises; (5) exchange restrictions; (6) the exchange of goods; and (7) navigation.

¹ Reprinted from *Cong. Rec.*, July 25, 1951, p. 9038.

U.S. Participation in the United Nations

*Message of the President to the Congress*¹

[Released to the press by the White House July 26]

To the Congress of the United States:

I transmit herewith, pursuant to the United Nations Participation Act, a report on our participation in the work of the United Nations during 1950.

It is a record of decision and action in the face of danger and, at the same time, a record of increasing efforts to promote human progress in the attainment of the basic objectives of the United Nations Charter. It is for the most part a record of solidarity among United Nations members against aggression.

The struggle of the United Nations against Communist aggression in 1950 has a deep significance that reaches beyond the momentary successes and reverses recorded. This significance lies in the simple fact that the United Nations acted promptly and resolutely, and with success, against deliberate, treacherous, and well-prepared aggression. The aggressors and their supporters undoubtedly believed that the Organization and its members would not come to the defense of Korea with timely and effective help. It is probable that one of the purposes of the attack was to break down—through such a failure—any possibility of effective United Nations action against aggression in the future.

As the world knows, the United Nations met the assault squarely and without hesitation. In so doing, it made clear that an aggressor will not be allowed to isolate and destroy his victims one by one. The United Nations elected to act now rather than to drift passively once more down the fatal

trail of failure to oppose aggression which leads finally to total war. Thousands of men have therefore sacrificed their lives in Korea to the end that millions may not lose their lives in a world war.

There is much to indicate that the resolute resistance of United Nations troops has given pause to those aggressive forces which cold-bloodedly brought tragedy to Korea.

In these great events the United States has taken a worthy and responsible part. American troops fighting in Korea are a major bulwark of the international community against the barbarous forces that would debase and destroy it. American fighting men have rarely in all our history struck more important blows for human freedom and welfare. I am proud—and I know the American people are proud—of the fight which our men, together with their comrades in arms, have waged in Korea.

The army and people of the Republic of Korea have heroically and patiently endured the brunt of the Communist aggression. The story of their unwavering resistance to that aggression is an epic in the annals of the struggle of free men to maintain their liberty and independence.

I should like to pay special tribute to the gallant fighting men of the other countries who defended the cause of the United Nations in battle during 1950—men from Australia, Belgium, Canada, France, Greece, Luxembourg, the Netherlands, New Zealand, the Philippines, Thailand, Turkey, the Union of South Africa, and the United Kingdom.

Fighting units for Ethiopia arrived in Korea in early May 1951, and units from Colombia arrived in early June 1951. Hospital units and ships from Denmark, India, Norway, and Sweden also are operating in the Korean area.

¹Included in Department of State Publication 4178, *United States Participation in the United Nations*, for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. Price \$1.00 (paper); also contained in H. doc. 196, 82d Cong., 1st sess.

United Nations action in Korea has been truly collective action. Concrete aid in the form of combat troops, ships and planes, field hospitals and medical equipment, other equipment, supplies, and food has been made available by 39 members of the United Nations; political support, by no less than 53 members. These countries vary greatly in their abilities to contribute to a collective military operation such as that in Korea. Contributions equal in number and identical in kind are obviously impossible. Nevertheless it must be recognized that every free country, large and small, is vitally—and I should say equally—interested in world security.

Much has been said in the Congress and in public forums on all phases of our action in Korea. Discussion and honest criticism are in the best traditions of our people and are in fact essential to the working of our system of government. As on other subjects, I welcome them in connection with our record in the United Nations. Throughout the world, Communist propaganda has of course sought to represent this country's action as "imperialism" dictated by material interests. I do not believe that, wherever the channels of opinion are free, our basic purposes will be misunderstood. Our action in the Korean crisis was not dictated by any American material interest there. We neither sought nor do we seek any special position or privilege in Korea. Our action in the crisis was motivated by our deep conviction of the importance of preventing a breakdown of the international security system and of the principles of the Charter. I was convinced then, and I am convinced now, that to have ignored the appeal of Korea for aid, to have stood aside from the assault upon the Charter, would have meant the end of the United Nations as a shield against aggression. It might have meant the end of any possibility that collective security could be made to work.

Under the Charter, the United Nations must afford protection against aggression, whether committed by big countries or by small countries. Just as the United Nations branded as aggression the original assault by the North Korean Communist regime, so it has branded as aggression the later intervention by the Chinese Communist regime and its attack upon United Nations forces. There are not two laws, one for small and one for large countries. Indeed it is hard to see how the United Nations could ever operate under such a double standard. This does not of course mean that the United Nations has acted blindly, without carefully considering the effects of its measures. In fact the record shows a most careful concern by the great majority of members, including this country, to avoid extension of the conflict and to preserve unity while maintaining our objective of resisting aggression.

While our primary and immediate task has been defense against aggression and the creation of collective measures for accomplishing this more

effectively, we have not lost sight of the objective of creating an international security system based upon the reduction and control of armaments. In my statement to the General Assembly on October 24, 1950, I made clear our continued determination to work toward this goal in every practicable way.

The aggression against the United Nations has brought home to all peoples the imperative need for developing more effective means to deal with aggression within the framework of the United Nations. The Korean case has demonstrated that the United Nations can act effectively against aggression through recommendations of the Security Council, or the General Assembly, if the Security Council is paralyzed by the veto. But in Korea the participating nations had to improvise their measures from the ground up.

It was to meet this need that the Secretary of State launched at the beginning of the General Assembly in September 1950 the proposals which were developed into the Uniting for Peace Resolution. Mr. Acheson said:

"The world waits to see whether we can build on the start we have made. The United Nations must move forward energetically to develop a more adequate system of collective security. If it does not move forward, it will move back.

"... The General Assembly can and should organize itself to discharge its responsibility promptly and decisively if the Security Council is prevented from acting."

This resolution can mark the beginning of a great step forward in the development of the United Nations as an instrument for collective action to maintain peace and put down aggression. We place great hope in the program projected by this resolution, particularly the provisions relative to the maintenance by members of the United Nations of armed forces for possible service as United Nations units, and the Collective Measures Committee set up to study and report on possible methods of maintaining and strengthening international peace and security. We shall give our full support to the aims and objectives of the program and to the work of this Committee in developing them.

Despite the emphasis which the United Nations has been compelled to give during the last year to action to meet aggression, it has intensified rather than slackened its various activities to promote human progress in attainment of other basic objectives of the Charter.

One of the fundamental human aspirations is the desire to control one's own destiny or, phrased in another way, to exercise the rights of self-government or independence. The organs of the United Nations which are charged with the responsibility of fulfilling the purposes of the Charter with respect to the development of non-self-governing people made notable progress during the past year. The United States has contributed fully to these efforts.

The United Nations has intensified its efforts to combat the perennial enemies of mankind—hunger, disease, and ignorance. Through many channels and in numerous programs, the United Nations and the specialized agencies have furthered the basic goal of “the creation of conditions of stability and well being which are necessary for peaceful and friendly relations among nations.” Of particular significance this past year was the inauguration of an expanded program of technical assistance for the economic development of underdeveloped countries. Some 56 countries of the free world have participated by making contributions, and 48 countries have initiated programs designed to use the facilities of the United Nations and specialized agencies in the development of their own human and material resources and in raising their standards of living. The United States has actively supported these activities and will continue to do so.

The weakness and the strength of the United Nations manifested in 1950 were those of a human endeavor which is still in its infancy. Despite centuries of effort, nations have only recently been able to cooperate effectively on a world-wide scale to achieve security and their other common purposes. In our limited experience we have met with many difficulties and reverses and will meet more in the future. But we have also achieved tangible success, and this success gives ground for hope that we are moving ahead on the right track. It is essential for all of us to understand that a stable peace can be achieved only through long, hard work and sacrifice. I am sure that the people of this country and of practically all countries realize that the goal of peace is worth this work and this sacrifice.

Under the stress of events in 1950 the members of the United Nations did not, of course, always see completely eye to eye. Nevertheless as loyal members the great majority strove to accommodate their views and action to the fullest possible extent in the interest of the major purposes of the United Nations. No nation has a monopoly of wisdom. Even among peoples sincerely devoted to United Nations principles—the overwhelming majority—there are bound to be differences concerning the best methods of putting these principles into effect. When we attempt honestly and frankly to work out these differences in the common interest, no one nation can expect to have its way completely. But decisions that are the result of discussions by many countries have a moral and political force in the international community which unilateral decisions seldom have.

Two years ago I said that the first point of our four-point foreign-policy program would be “to give unfaltering support to the United Nations and related agencies” and “to continue to search for ways to strengthen their authority and increase their effectiveness.”

The record of our participation in 1950, set forth

in the following pages, shows that we have not faltered in our support. I know the American people are determined to persevere in this course.

THE WHITE HOUSE,
July 26, 1951.

HARRY S. TRUMAN

Agent General of UNKRA To Study Conditions in Korea

[Released to the press by the U.N. Department of Public Information July 18]

J. Donald Kingsley, agent general of the United Nations Korean Reconstruction Agency, will arrive in Pusan next week. He will be accompanied by two of his senior advisers, Joel Fisher and Donald Pryor. Sir Arthur Rucker, deputy agent general, is going to Tokyo on Saturday, 21 July, to meet Mr. Kingsley. It is expected that the party will arrive in Pusan on Tuesday, 24 July.

The purpose of Mr. Kingsley's visit is to enable him to study conditions in Korea at first hand and to discuss fully with the Republic of Korea the plans for future work of UNKRA.

Immediately on his arrival he will meet the President and Prime Minister and all ministers concerned with the reconstruction schemes. He will also consult with the United Nations Commission for the Unification and Rehabilitation of Korea and coordinate plans of UNKRA with the military authorities and, in particular, with the United Nations Civil Assistance Command (UNCAC), who are responsible for the administration on behalf of the United Nations of relief and short-term economic aid.

Mr. Kingsley's provisional plans include visits to hospitals and other institutions in the Pusan area as well as visits to Taegu and Seoul. It is also hoped to arrange, while Mr. Kingsley is in Pusan, for the formal opening of the United Nations Korean Reconstruction Agency's new offices in the center of the city.

Communiqués Regarding Korea to the Security Council

The Headquarters of the United Nations Command has transmitted communiqués regarding Korea to the Secretary-General of the United Nations under the following United Nations document numbers: S/2228, July 3; S/2229, July 5; S/2230, July 6; S/2237, July 10; S/2240, July 11; S/2243, July 12; S/2244, July 13; S/2248, July 16; S/2249, July 17; S/2251, July 18; S/2257, July 23.

Reports of U.N. Command Operations in Korea

TWENTY-THIRD REPORT

FOR THE PERIOD JUNE 1-15, 1951¹

U.N. doc. S/2246 Transmitted July 16, 1951

I herewith submit report no. 23 of the United Nations Command Operations in Korea for the period 1-15 June, inclusive. United Nations Command Communiqués numbers 901-915 provide detailed accounts of these operations.

Depleted by losses suffered in the preceding period which amounted to more than 100,000 casualties and 12,000 prisoners, the enemy continued a slow withdrawal under continued United Nations pressure. Resistance was heavy as the United Nations advance carried into the immediate approaches of the critical Kumhwa-Chorwon-Pyongyang triangle, but by 12 June the enemy was forced to relinquish the southern reaches of this area. Relatively heavy fighting took place along the entire ninety mile front from the vicinity of Yonchon, through the Hwachon reservoir area, northeast to Kansong. In various sectors the enemy managed a considerable measure of organization of his defenses, to include semi-permanent fortifications and earthworks, and employed increasing amounts of mortar, artillery, and anti-tank fire. Small numbers of enemy tanks were sighted, but they played only a defensive role, and remained behind their own lines.

On the extreme west flank, enemy activity was confined to small-scale patrol contacts with United

Nations forces operating over the Imjin River. In the west-central zone, enemy forces resisted stubbornly as United Nations troops drove across the Hantan River toward Chorwon and Kumhwa. The fighting here passed its climax from 7 to 9 June, and by 11 June United Nations forces controlled both of these vital communications centers.

Fighting was intense in the area immediately north of Hwachon from 1 to 8 June. In a series of stubborn delaying actions, the enemy units withdrew by short-bounds, clinging tenaciously to each exploitable terrain feature. However, United Nations forces had advanced more than ten miles to the north of Hwachon by 13 June.

Some of the heaviest fighting of the period took place to the north and northwest of Inje, where the United Nations advance was limited to about seven miles. To the east of Inje, however, following highly commendable defensive operations by the Republic of Korea Capital Division with the 20th Republic of Korea Regiment attached, the enemy was forced to relinquish his shallow salient. On the extreme east flank he was driven back about six miles.

Although the enemy has gradually augmented his strength in supporting arms—particularly artillery and anti-tank units—his position has deteriorated considerably the past few weeks. His earlier force of approximately eighty infantry divisions has now declined to less than seventy, of which sixteen were very seriously depleted in his recent abortive offensive. The southern limits of his Chorwon-Kumhwa-Pyongyang complex are now in United Nations hands, depriving the enemy of much of the excellent communication net in this area. Behind the United Nations lines, his once-formidable guerrilla force has been reduced to about 7,000; and although it still has some capacity for harassment, it is now concerned primarily with its own security.

There is no indication that the enemy will relax his hold on any major portion of North Korea. In fact, all signs indicate that he has no intentions of abandoning his aggression and that he intends eventually to mount further efforts to expel the United Nations Forces from Korea. The enemy has probably not yet been able to build up sufficient fresh forces for a new offensive. In the past, this process has required a minimum of three weeks, and in the present instance, should require considerably more, due to the magnitude of recent losses.

¹ Transmitted to the Security Council by Ambassador Warren R. Austin, U.S. representative in the Security Council, on July 16. For texts of the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, and eleventh reports to the Security Council on U.N. command operations in Korea, see BULLETIN of Aug. 7, 1950, p. 203; Aug. 28, 1950, p. 323; Sept. 11, 1950, p. 403; Oct. 2, 1950, p. 534; Oct. 16, 1950, p. 603; Nov. 6, 1950, p. 729; Nov. 13, 1950, p. 759; Jan. 8, 1951, p. 43; and Feb. 19, 1951, p. 304, respectively. The reports, which have been published separately as Department of State publications 3935, 3955, 3962, 3978, 3986, 4006, 4015, and 4108 respectively, will appear hereafter only in the BULLETIN. The twelfth, thirteenth, and fourteenth reports appear in the BULLETIN of Mar. 19, 1951, p. 470; the fifteenth and sixteenth reports in the BULLETIN of Apr. 16, 1951, p. 625; the seventeenth report in the BULLETIN of Apr. 30, 1951, p. 710; the eighteenth in the BULLETIN of May 7, 1951, p. 755; a special report by the U.N. Commanding General, in the BULLETIN of May 21, 1951, p. 828; the nineteenth report in the BULLETIN of June 4, 1951, p. 910; the twentieth in the BULLETIN of June 11, 1951, p. 948; the twenty-first in the BULLETIN of July 2, 1951, p. 30; and the twenty-second in the BULLETIN of July 23, 1951, p. 155.

Front lines at the close of the period ran generally along the Imjin River to Yonchon, thence northeast to Chorwon, eastward through Kumhwa and Yulmok to the vicinity of Sohwa, and thence northeast to a point eight miles north of Kansong.

Constant patrol and reconnaissance operations by United Nations Naval forces continue to deny to the enemy the use of Korean waters and to prevent enemy interference with the movements of United Nations shipping to and from Korea.

Close air support of United Nations ground elements received strong emphasis from both United Nations carrier-based and Marine shore-based aircraft on all sections of the front in Korea. As a result of these operations, the enemy suffered severe losses in men and matériel.

Co-ordinated United Nations surface ship and carrier-based aircraft interdiction operations were continued against enemy main lines of communication in northeastern Korea with very effective results. The surface ship phase of these operations was concentrated mainly in the Wonsan, Songjin and Chongjin areas. On the west coast, United Nations carrier-based aircraft interdiction operations were concentrated mainly in the Pyongyang-Chinnampo-Kaesong areas.

During the period of this report, the enemy repeatedly tried to interfere with United Nations bombardment activities in the Wonsan area by employing shorebased artillery against the bombarding ships. As fast as enemy batteries disclosed their positions by firing, they were silenced by United Nations Naval gunfire. The sixteen-inch guns of *USS New Jersey* were particularly effective in counter-battery.

Active and effective naval gunfire support of United Nations ground forces was furnished by the *New Jersey* along the east coast of Korea and by United Nations cruisers and destroyers.

Royal Marines from a British cruiser conducted an effective raid behind enemy lines on the west coast of Korea in the Chinnampo area. Covered by naval gunfire from United Nations surface vessels, the Royal Marines reconnoitered several villages in the area, destroyed enemy military installations and returned to their ship without casualties.

The usual numbers of drifting mines were sighted during the period of this report. Floating mines continue to be a serious menace to shipping everywhere in the Japan Sea and in Korea coastal waters. Check minesweeping operations continue on both coasts of Korea, mainly for the protection of ships engaged in shore bombardment.

Troops, equipment and communications in the Chorwon-Pyongyang-Kumhwa triangle formed the focal point of much of the United Nations air effort as ground forces approached and penetrated this critical area. USAF and Marine units, with planes of the South African Air Force, repeatedly attacked targets in and near the triangle, decreasing considerably the enemy's capability to resist.

The advancing ground forces received material assistance from aircraft operating in close support as napalm, machine-guns and bombs drove the enemy from organized defenses. The close integration of the air and ground efforts is responsible for the conservation of countless United Nations soldiers whose lives would be taken in rooting out an entrenched enemy. Despite many days of poor flying weather the front line soldier has received fine support from all air units engaged in the United Nations operations.

Continued improving radar techniques for control of aircraft have resulted in increased air operations by night subjecting the enemy to destruction of equipment and harassment as he attempts to cloak his movements in darkness. Medium and light bombers are engaging in this type of attack. Fighters and light bombers are attacking by night, also, utilizing flares for illumination.

Airfields and communications targets north of the battle zone received attacks during the period. The hostile air effort remained localized in northwest Korea where Soviet-built jet airplanes engaged United Nations bombers and fighters on several occasions. Little damage was suffered by United Nations aircraft, as the toll of damaged and lost MIG-15 mounted.

There have been two changes in the air commands of the United Nations Forces. Lt. Gen. Otto Weyland has replaced Lt. Gen. George Stratemeyer as the Senior Air Commander in the United Nations Command, and Major General Everest has replaced Lt. Gen. E. E. Partridge as Commander of the US 5th Air Force operating in Korea. To the two who have relinquished their commands, Generals Stratemeyer and Partridge, high tribute must be paid for the contribution they have made to the United Nations cause.

Transfer of prisoners of war interned in enclosures of United Nations Prisoners of War camp number one in the Pusan area continued and by the end of May, over 117,000 prisoners of war were occupying enclosures of Koje-Do island. To date information concerning over 155,000 enemy prisoners of war has been forwarded in accordance with the Geneva Convention relative to the treatment of prisoners of war, 12 August 1949.

In conjunction with the United Nations drive northward, every available medium of information was used to focus the attention of soldiers on the significance of this latest failure of their Communist leaders. United Nations leaflets and news sheets, air-dropped along major supply and transport routes, and over key military centers from the international border south to the line of contact, tersely reported the grim facts of the Communist squandering of the lives of thousands of their soldiers. At the front, these leaflets were augmented by frequent loudspeaker broadcasts, both from the ground and from aircraft, urging Chinese and North Korean soldiers to cross over

to the United Nations side. Daily radio broadcasts brought the latest news to the Korean people on both sides of the battle line, and relayed to them important statements by various delegates to the General Assembly, setting forth United Nations objectives and principles, and discussing United Nations efforts for world peace.

**TWENTY-FOURTH REPORT:
FOR THE PERIOD JUNE 16-30, 1951¹**

U.N. doc. S/2265
Transmitted July 28, 1951.

I herewith submit report number 24 of the United Nations Command Operations in Korea for the period 16 to 30 June, inclusive. United Nations Command Communiqués numbers 16-930 provide detailed account of these operations.

On the last day of this period, the United Nations Command repeatedly broadcast to the Commander-in-Chief of the Communist Forces in Korea a proposal that accredited representatives of each command meet on the Danish Hospital Ship *Jutlandia* off the coast of Wonsan for the purpose of negotiating a cease-fire agreement. No reply had been made to the proposal by mid-night of 30 June. The full text of the radio message follows:

As Commander-in-Chief of the United Nations Command, I have been instructed to communicate to you the following: I am informed that you may wish a meeting to discuss an armistice providing for the cessation of hostilities and all acts of armed forces in Korea, with adequate guarantees for the maintenance of such armistice.

Upon the receipt of word from you that such a meeting is desired, I shall be prepared to name my representative. I would also at that time suggest a date at which he could meet with your representative. I propose that such a meeting could take place aboard a Danish Hospital Ship in Wonsan Harbor.

In mid June counterattacking United Nations ground forces were meeting increased resistance as noted in the previous report. As United Nations forces reached and occupied their main objectives, hostile forces from organized positions opposed advances with determination. United Nations patrols ranged forward of the main battle position to maintain firm contact, but relatively little aggressive action has been undertaken by either side.

On the western part of the front from Changdon to Kumhwa, United Nations combat patrols found the enemy alert, well organized, and determined. Along this fifty mile arc, the enemy appears to have achieved a considerable measure of defensive organization consisting of well-developed earthworks and a well-integrated series of anti-tank defenses covering the main approaches, including elaborate tank-traps, roadblocks, and minefields.

On the thirty-five mile portion of the central

front extending from Kumhwa to the vicinity of Pia, hostile troops clung tenaciously to positions in the immediate vicinity of the United Nations lines throughout the period. Contacts were particularly frequent on a twelve mile sector from Kumhwa to Hudong. There the enemy displayed great sensitivity, stoutly resisted United Nations probing, and himself engaged in numerous small-unit probing efforts and moderate strength counterattacks. Due north of this from along the Kum-song-Changdo axis, sightings reveal that a rather extensive hostile buildup is in progress. Significant is a growing network of dumps and other supply installations established well forward, many within five miles of the United Nations front line.

A similar situation prevailed in the adjoining fifteen-mile sector immediately south of Changjaedae and Pia. Although contacts were less numerous little distance separated friendly and hostile lines. The enemy frequently probed United Nations positions and stoutly resisted all local small-scale United Nations attacks. Immediately to the north, along the Sangsogen-Mundung axis, several supply installations have been sighted.

Front lines at the close of the period were nearly identical with those of 16 June, except on the extreme flanks where the United Nations Forces advanced about four miles. Front lines ran generally northeast of Changdan to Chorwon and Kumhwa, eastward to Songhwangdang, and northeast to Phoang.

There was a slight increase in guerrilla activity and a considerable increase in guerrilla contacts in the Tanyang area of South Central Korea during June. These forces have been operating in larger units during the past few weeks, but their action appears to be uncoordinated, both among themselves and with respect to enemy operations on the front. Expanded operations to mark the anniversary of the war failed to materialize on 25 June although repeatedly called for in the North Korean propaganda broadcasts.

In general, the current pattern of enemy activity is identical with that which has preceded previous major offensives. Vigorous screening action, re-deployment of assault units, and logistic build-up in forward areas suggest that a renewed offensive may be in prospect. The enemy has had time to effect at least partial recovery from his defeat in May and is still capable of replacing depleted units with fresh forces. Prisoners of war repeatedly mention plans for the "Sixth Phase Offensive" bearing out the above indications.

United Nations Naval Forces continued to conduct the constant patrol and daily reconnaissance operations which have denied to the enemy the use of Korean waters since the beginning of hostilities and which have assured the unrestricted movement of United Nations shipping to and from Korea. Increased surveillance of enemy boat and junk traffic resulted in the destruction or seizure of

¹Transmitted to the Security Council by Ambassador Warren R. Austin, U.S. representative in the Security Council, on July 28.

numerous enemy small craft on both coasts of Korea.

United Nations carrier based and Marine shore based aircraft conducted both close air-support and interdiction operations with emphasis on the former, exacting a heavy toll of enemy personnel and equipment.

Surface units continued a daily campaign of interdiction by Naval gunfire against enemy road and rail crossings, tunnels, bridges, and troop and supply concentrations in the Wonsan, Songjin, and Chongjin areas with good results.

During the period of this report, opportunities were presented for Naval gunfire support of United Nations Ground Forces on the east coast of Korea. A heavy cruiser and destroyers were assigned to this mission and achieved gratifying results.

Check-minesweeping operations continued on both coasts of Korea, particularly in the Wonsan area and in those areas where Naval gunfire support ships were in operation. Considerable numbers of drifting mines were sighted and destroyed during this period.

Increased enemy air activity during the period influenced the United States Far East Air Forces to place emphasis on counter-air operations. Medium bomber daylight effort was placed upon North Korean airfields to deny their use to the enemy. Daily attacks by the medium bombers supplemented by low level attacks by fighter bombers have rendered temporarily unserviceable all but three of the twenty-two enemy-held airfields south of the 40 Parallel. The B-29's, in addition, continued to obtain excellent results by night attacks on enemy-held positions in the battle area under the control of ground radar.

United States 5th Air Force light bomber and fighter units, including South African Air Force and land based United States Marine Forces, have taken over the entire interdiction campaign during the period, and F-80's have accomplished unusually effective attacks on rail and highway bridges. These units continued to render close support to United Nations Ground Forces, inflicting heavy enemy troop casualties and destroying quantities of his supplies.

Light bombers have been employed almost entirely on night operations against the enemy's convoys and trains and on patrols over enemy airfields.

On 20 June F-86 and F-51 fighters destroyed two, possibly three, and damaged two hostile ground-attack aircraft of a force which may have been attempting to launch the first combined air attack since the early days of the Communist invasion. F-86's and MIG 15's continued their combat almost daily in northwest Korea, the former taking a heavy toll of enemy jets. For the first time, the enemy enjoyed some success, destroying three, and damaging one F-86.

Some of the most spectacular and daring operations of the Korean conflict have been accomplished by detachment "F" of the United States Air Force Third Rescue Squadron which, in addition to medical evacuations of personnel of all branches of the United Nations Command, has effected, at great risk, over 500 rescues of personnel from behind enemy lines, often under heavy enemy fire.

Transport aircraft continued their extensive logistical support of combat units, the evacuation of medical patients, and transportation of personnel. A daily average of approximately 250 tons of ammunition was airlifted to forward airfields for United Nations Ground Units.

More than five million special leaflets were air-dropped over enemy territory, to soldiers and to civilians, on the First Anniversary of the Communist attack on the Republic of Korea. These leaflets noted the terrible suffering and destruction brought upon the Korean people by Communist aggression during a year of tragedy and the reckless abandon with which the Communists have sacrificed their own soldiers in successive vain attempts to destroy the Forces of Freedom. These leaflets also placed particular emphasis on the deeds of the free members of the United Nations as offering better guidance for China's and Korea's welfare than the empty words of the Communist aggressors. Other United Nations leaflets, radio, and loud speaker broadcasts continued to bring to the attention of enemy soldiers and the Korean people the true facts about the conflict. They are being reminded of the repeated efforts of the United Nations to arrange a cease-fire and to restore peace in Korea and of the repeated frustration of these efforts by Communist intransigence and continued aggression. United Nations media are pointing out the sharp contrast between Communist exploitation and United Nations friendship and between Communist imperialism and United Nations aid to Korea.

Armistice Negotiations in Korea

U.N. Communiqué of July 30

The fourteenth and lengthiest single session of the Kaesong military armistice conferences today recessed after three hours and eight minutes, with both sides holding firm to their views on item number two of the agenda, which deals with establishment of a demilitarized zone.

The United Nations senior delegate, Admiral Joy, in a series of prepared statements, made a detailed analysis, both of the Communist contentions as well as United Nations' position on the subject under discussion. He then once again invited comment by the Communists on the basic concept of the United Nations on the demilitarized zone "so that the final solution to this item may reflect our mutual views."

Shortly before noon, General Nam Il, senior Communist delegate, replying to an earlier clarifying statement by

Admiral Joy, stated it was also his definite understanding that hostilities would continue during the current armistice negotiations.

The fifteenth session will meet tomorrow morning at 1100 hours [9 p. m., July 30, eastern daylight time].

U.N. Communiqué of July 31

There was no perceptible change in the expressed viewpoints of the two delegations for item two on the agenda of the military armistice conference during the fifteenth session at Kaesong today.

The first half of today's session, which lasted one hour and 35 minutes, was devoted to a further effort by Vice Admiral C. Turner Joy to clarify the United Nations position and the mutual benefit to be derived from acceptance of this view.

The latter portion of the session consisted of reiteration by the senior Communist delegate of his previously stated stand.

No progress can be reported as a result of today's conference.

The sixteenth session will be held tomorrow morning at 1100 hours [9 p. m. July 31, eastern daylight time].

U.N. Communiqué of August 1

The sixteenth session of the military armistice conference failed to make progress toward an agreement on item number two of the agenda, the only substantive point thus far discussed. The basic views of both the U. N. Command and the communist delegation remained unchanged.

Admiral Joy, in an hour and 13 minute statement, made a detailed analysis and refutation of the Communist contentions. He again restated the U. N. Command's position with respect to the establishment of a realistic demilitarized zone, equitable to both belligerents.

The 17th session will be held tomorrow at 1100 hours [9 p. m. August 1, eastern daylight time].

U.N. Communiqué of August 2

Fundamental differences between the U. N. Command and Communist delegations on item number two of the agenda remained unresolved today at the close of the seventeenth session of the military armistice talks.

Admiral Joy, in a further effort to keep the negotiations focused on pertinent military matters, twice attempted to secure an expression of opinion from the senior Communist delegate on the basic responsibilities of military commanders to their respective forces during a military armistice. Neither time did General Nam Il respond directly.

At the Communist delegate's suggestion, the talks recessed at 1220 hours to be resumed tomorrow at 1100 hours [9 p. m. August 2, eastern daylight time].

U.N. Communiqué of August 3

No progress was made during the eighteenth session of the military armistice conference on a mutually acceptable solution of item two on the agenda.

In a brief opening statement of the morning Admiral Joy emphasized that the U. N. Command would not relinquish its military defensive positions "to satisfy political desires to subdivide Korea."

The senior Communist delegate then spoke for nearly two hours attempting to justify his previously expressed view that the military demarcation line should be fixed along a parallel of latitude rather than following significant terrain features which are militarily important to the security of the U. N. forces.

In the closing statement of the day, Admiral Joy proposed several searching questions in an effort to establish

the general attitude of the Communist delegation towards a truly military armistice and the resultant ceasefire.

The conference will convene tomorrow at 1100 hours [9 p. m. August 3, eastern daylight time].

U.N. Communiqué August 4¹

[Excerpt]

. . . The nineteenth military armistice conference reconvened at 1400 [12 midnight August 3, eastern daylight time]. . . . In an extremely brief afternoon session Admiral Joy formally noted for the record "a violation of the Kaesong neutral zone."

The Chinese military formation carried automatic weapons, mortar, and grenades in addition to small arms consisting of rifles and pistols.

An investigation was promised by the Communists.

The twentieth session will be held tomorrow morning at 1100 hours [9 p. m. August 4, eastern daylight time].

Message from the U.N. Commander to the Communist Delegates, August 5

The following message was broadcast by General Matthew B. Ridgway, Commander in Chief, United Nations Forces, over the Armed Forces Radio Service at 6 a. m., August 5 (4 p. m. August 4, eastern daylight time):

Generals Kim Il Sung and Peng Teh-huai:

It has been officially verified by witnesses, confirmed with still and movie photography, that on or about 1345 hours 4 August, armed military forces not belonging to the United Nations Command were observed in Kaesong and within approximately 100 yards of the conference house.

These forces, approximating an infantry company, were proceeding in an easterly direction on foot and were armed with rifles, pistols, grenades, automatic weapons and mortars.

Your attention is invited to the following—on the 13th of July I broadcast a message addressed to you which contained the following passage:

The assurances which I required are simple and few. They include as primary prerequisites the establishment of an agreed conference area of suitable extent completely free of armed personnel of either side.²

In the same message I stated:

I therefore now propose that a circular area with its center approximately at the center of Kaesong and with a five-mile radius be agreed upon as a neutral zone. The eastern limit of the neutral zone shall be the present point of contact of our forces at Panmunjon. I propose that we both agree to refrain from any hostile acts within this zone during the entire period of our conference and that roads leading there to be used by personnel of both delegations' parties be completely free of armed personnel.

On the 14th of July you broadcast a reply to me to this message which stated among other things:

We have received the proposition dated 13 July and have agreed to make Kaesong the neutral zone as you have proposed.³

I now invite your attention to this flagrant violation of the assurances which I required and which you promised. The United Nations Command delegation is prepared to continue conversations as soon as a satisfactory explanation of this violation and assurance of a non-recurrence are received.

Meanwhile, the United Nations Command delegation will remain within the United Nations line. I await your reply.

¹ The full text of this communiqué was not available as the BULLETIN went to press.

² BULLETIN of July 23, 1951, p. 152.

³ BULLETIN of July 23, 1951, p. 153.

Communist Delegates' Reply to the U.N. Commander, August 6

The following message was broadcast over the Pyongyang radio at 6:30 a. m. August 6 (4:30 p. m. August 6, eastern daylight time):

We have received your communication.

At 3 p. m. Aug. 4, a formation of our guards who are responsible for patrolling the Kaesong area entered by mistake the conference area carrying inappropriate arms in violation of our agreement.

At 9:30 a. m. Aug. 5, our senior delegate ordered his liaison officer, Chang Ping-shang, to inform [*sic*] the cir-

cumstances surrounding the present violation of our agreement and to inform you.

At the same time our senior delegate gave warning to our guards patrolling the Kaesong area not to enter the conference zone and strictly ordered them to obey his instructions so that such an incident may not arise again.

In order to prevent an interruption of the conference through such accidents, we have ordered our guards in the Kaesong area to observe strictly our agreement of July 13 and to take measures so there will be no repetition of such an incident.

We request you to order your delegation to come to Kaesong to continue the negotiations following receipt of our answer.

Amendment to Resolution on the Ewe Problem Introduced

STATEMENT BY AMBASSADOR FRANCIS B. SAYRE, U.S. REPRESENTATIVE IN THE TRUSTEESHIP COUNCIL¹

My delegation is glad to be associated with the delegations of the Dominican Republic and Thailand in introducing the amendment to the Anglo-French draft resolution on the Ewe problem which is now before the Council.² Before entering into an explanation of the more important provisions of this amendment, may I make a few general observations with respect to this difficult and long-standing problem?

First, I should like to say that my Government is deeply concerned in the problem of the Ewes and of the peoples of the two Togolands. It believes that this problem is among the most important problems with which the Council has been confronted. I am certain that the Council shares the opinion of my delegation that there is one cardinal principle which must guide the Council in its efforts to assist in arriving at a fair and wise solution of the problem. This principle is that any solution must accord with the wishes and desires of the peoples directly concerned, that is, the peoples of the two Togolands. Herein lies the core of the present difficulty. My delegation, after the most careful study and consideration, has failed to find any convincing evidence that at this time there exists any single definitive and clear-cut solution which would reconcile the conflicting points of view which exist among the peoples of the two territories or even gain the concurrence of a majority of them. If this be true, it seems clear that at the present time any attempt by the Council to reach a long term, definitive settlement

of the question would not only be premature but also dangerous and not in the best interests of the inhabitants themselves.

My delegation believes, therefore, that the Council should concentrate upon finding the most constructive measure which can be taken at this time in order to move forward toward an ultimate solution. After a careful review and study of all factors of the situation, my delegation has reached the conclusion that action along the lines of this joint amendment submitted by the Dominican Republic, Thailand, and the United States would constitute the most constructive practical step forward which can be taken at the present time.

Before deciding to associate itself with the delegations of the Dominican Republic and Thailand in introducing the amendment, my delegation gave the most careful consideration to the draft resolution introduced by the delegations of France and the United Kingdom. It reluctantly reached the conclusion, however, that the adoption of this resolution in its present form would not be the wisest action which the Council could take at the present juncture. One of the objections of my delegation to the Anglo-French draft resolution is the limited scope of responsibilities of the proposed Joint Council. The establishment of a Joint Council is, in the opinion of my delegation, an imaginative and constructive step forward towards a final solution of this problem. It seems to my Government, however, that the effectiveness of such a Council would be substantially lessened if it is not empowered to function in the political field. Almost every economic problem has its political aspects. Conversely, almost every political problem has its economic aspects. How could it be possible to determine, therefore, whether a problem was primarily economic, and thus fell within the purview of the Joint Council, or primarily political and thus outside its scope of authority? My delegation is convinced that in order for the

¹ Made in the Trusteeship Council on July 24 and released to the press by the U.S. Mission to the United Nations on the same date.

² See BULLETIN of Jan. 22, 1951, p. 128, and BULLETIN of Mar. 26, 1951, p. 509.

Joint Council to be an effective means of working towards a solution of the problem its scope of responsibilities must be broadened to include all matters of common concern to the inhabitants of two trust territories, as is provided for in the Dominican Republic-Thailand-United States amendment.

We strongly hope that it will be possible for the two administering authorities to proceed immediately with their plans to establish the proposed joint council. We also hope that the Council when constituted will be able to speak in behalf of the whole population of the two Togolands. We therefore urge all groups to cooperate with the administering authorities in their establishment of the Joint Council. We also urge the administering authorities to proceed with the implementation of their plans for its establishment in such a way as to provide all groups in the two territories with a fair and reasonable opportunity to be represented on it. It is only by making the Joint Council fully representative of the Togoland people that it can provide an effective means of working towards a final solution of this problem.

My delegation hopes, therefore, that the Council will approve the draft amendment which we have submitted in conjunction with the Delegations of the Dominican Republic and Thailand.

TRUSTEESHIP COUNCIL ADOPTS RESOLUTION ON EWE QUESTION

[Released to the press by the U.N. Department of Public Information July 24]

The Trusteeship Council, meeting under the acting presidency of Awni Khalidy (Iraq), this afternoon adopted—by 10 votes to 0 with 2 abstentions (Iraq, U.S.S.R.)—a joint Anglo-French resolution on the Ewe problem, as amended by the Dominican Republic, Thailand, the United States, and Argentina.

The operative part of this resolution, among other matters:

Approves the Administering Authorities' proposal to establish a Joint Council to advise them on matters of common concern to the people of the two Trust Territories—including, in particular, the Ewe problem;

Recommends that the Administering Authorities proceed with their plans immediately to establish this Joint Council;

Recommends that the scope of responsibilities of this Council be sufficiently broad to enable it to exercise its functions with respect to all questions of common concern to the people of the two Trust Territories, and including questions of political, economic, social, educational, and cultural development;

Recommends that the method of determining the composition and selection of the Council's members be such as to ensure, if possible, the participation of the major groups in the two Territories; and

Urges all elements of the population of the Territories to cooperate in the establishment and operation of the Joint Council.

TEXT OF EWE RESOLUTION¹

T/936
July 25, 1951

The Trusteeship Council,
Recalling its resolution 306 (VIII) of 9 March 1951 on the Ewe question;

Having considered in this connection various petitions submitted by different groups, parties and individuals to the Trusteeship Council, which are listed in the annex to this resolution;

Notes with interest the Anglo-French memorandum regarding the Ewe and Allied Petitions (T/931 and T/931/Add.1) submitted to the Trusteeship Council by the two Administering Authorities in response to Resolution 306 (VIII) of 9 March 1951;

Concurs with the view of the two Administering Authorities expressed in their Joint Memorandum that there would seem to be no reason for continuing the existence of the Consultative Commission;

Approves the proposal of the Administering Authorities to establish a Joint Council composed of representatives from Togoland under French Administration and Togoland under United Kingdom Administration to advise the two Administering Authorities on matters of common concern to the people of the two Trust Territories [including in particular the Ewe problem];

Recommends that the two Administering Authorities proceed with their plans immediately to establish such a Joint Council in order that it may have functioned for a sufficient period of time for the United Nations Visiting Mission to the West African Trust Territories in 1952 to form an evaluation of its accomplishments;

Recommends that the two Administering Authorities ensure that the scope of responsibilities of the proposed Joint Council be sufficiently broad to enable it to exercise its functions with respect to all questions of common concern to the people of the two Trust Territories, including questions of political, economic, social, educational, and cultural development;

Recommends that the method of determining the composition and selecting the members of the Joint Council be such as to ensure, if possible, the participation of the major groups in the two Territories;

Urges all elements of the population of the two Trust Territories to cooperate in the establishment and operation of the Joint Council in order that the Joint Council's decisions may fully reflect the views of all concerned;

Requests the two Administering Authorities to report as soon as possible on the action taken pursuant to this resolution.

[Re-affirms its recommendation of 14 July 1950 in which the Council recommended to the Administering Authorities concerned to take all necessary and appropriate measures in order to ensure that, until a definite settlement was reached, the common traits and traditions of the Ewe people in the two Trust Territories be preserved.]

¹ The text of the resolution as passed is identical with the amendment introduced by the Dominican Republic, Thailand, and the United States with the addition of the passages enclosed in brackets.

The United States in the United Nations

A weekly feature, does not appear in this issue, but will be resumed in the issue of August 20.

Implementing the Atlantic Pact

By Thomas D. Cabot

Director for International Security Affairs¹

... The major objective of the North Atlantic Treaty may be stated very simply. We want to prevent war, and if war comes, we want to win it. I always like to emphasize the dual nature of this objective. Although we will fight to preserve our freedom, our primary purpose is to preserve peace. We must, of course, act in such a way as to take full advantage of every reasonable and honorable opportunity for peace. At the same time, we must make certain that we will not be caught napping if the Soviet dictatorship, despite our efforts to maintain peace, chooses to launch a new world war.

There is no foreign policy that can provide an ironclad guarantee of either peace or victory. All we can do is to consider the alternative courses of action, choosing those which seem to offer the best prospects of success and avoiding those in which the risk is excessively great. We can be sure that there are certain things which will assist neither in maintaining peace nor in protecting our security. The first is appeasement. There is no need for me to recite the tragic fate of nations which have tried to keep the wolf from the door by opening up the family larder whenever he howled. Appeasement inevitably leads to war, and to war on the most disadvantageous terms. In this connection, I think it is useful to point out that, in the kind of world we face today, the most dangerous and the most shortsighted form that appeasement could take would be a policy of isolation. Anyone who suggests that the United States should think of itself alone and permit other friendly nations to be gobbled up by aggressors is, in fact, proposing that the United States make appeasement the very cornerstone of its foreign policy.

Second, we know we cannot preserve peace by going to the opposite extreme and adopting a

"chip on the shoulder" attitude. If we should become belligerent or hypersensitive and determine to fight at the drop of a hat, it would be very difficult to maintain peace. Our task is to steer a firm patient middle course, heeding neither those who cry "peace at any price" on the one hand, nor those who, on the other hand, seem incapable of distinguishing between honest compromise and slavish appeasement. Meanwhile, we must be alert to every opportunity to take positive steps which will advance our aims.

Fortunately, there is one fundamental approach which offers us simultaneously the greatest hope for preventing war and the best chance of victory if war comes. This approach, expressed simply, is to build and maintain the total strength of the free world. If sufficient strength can be created, and can be created fast enough, there is reason to believe that the Soviet Union may be discouraged from launching a military attack. This does not mean, of course, that the men in the Kremlin could be expected to banish completely, on the spur of the moment, their dreams of world domination. But if we can achieve an indefinite delay in Soviet aggression, there is a good possibility that it will never occur. The strains and stresses affecting tyrannies, although deceptively hidden, are enormous, and these strains are more acute because tyrannies cannot permit the public criticism and discussion which makes possible the rational correction of excesses. They are boilers without safety valves. Purges may strengthen the plates, but do not reduce the pressure inside. In the long run, therefore, time is always on the side of free men if free men are also careful to remain strong.

The building and maintenance of strength among the nations of the North Atlantic community—the very heart of the free world—is the broad objective of our efforts to implement the North Atlantic Treaty. Because of the present military weakness of these nations, and because of the proven willingness of international communism to use military force in carrying out its

¹ Excerpts from an address made before the Colgate University Conference on American Foreign Policy, Hamilton, N. Y., on July 24 and released to the press on the same date.

designs, our primary immediate purpose is to develop our mutual defensive power.

The United States and its allies must build adequate armies, navies, and air forces. We must make sure that these forces are properly trained. We must provide them with the expensive weapons which are required to resist military attack in the modern world. We must establish strong defense bases. We must develop the productive facilities which will provide a continuing flow of supplies and equipment to our defense forces.

In doing all these things, however, we must be constantly aware that Communist imperialism has several strings to its bow, and is always ready to take advantage of any political or economic weakness which may develop in free societies. It is just as necessary to avoid Communist political conquest as it is to deter Soviet military adventures, and we cannot sacrifice economic and social stability in our effort to create military strength.

Let me now review the major problems which we face in endeavoring to implement the North Atlantic Treaty.

Moreover, despite much misleading information to the contrary, taxes are already high throughout Europe. In the United Kingdom, taxation takes nearly 34 percent of the total gross national product, in France 27 percent, in Norway 32 percent, in the Netherlands 28 percent, as contrasted with approximate 24 percent in the United States.

All told, Western Europe cannot devote either the same amount or the same percentage of its income to defense purposes that we do without engendering a ruinous inflation, driving living standards below the subsistence level, and destroying the European defense program altogether.

Psychological Obstacles to Cooperation

The psychological attitudes of the European people represent a third major problem area. The sudden collapse in the last war, the lengthy period of occupation and the painful process of slow recovery all combined to cause widespread defeatism in Europe. Also, Europe has its own breed of isolationists, who mistakenly regard the present world struggle as essentially a conflict between the United States and the Soviet Union, and who naively believe that it would be possible for Western Europe to remain neutral in the event of a global war. Finally, there are a few Europeans who are suspicious of United States motives and who fear that North Atlantic cooperation threatens the sovereign independence of their nations.

All these attitudes are distinctly minority attitudes, and are rapidly diminishing in force as Europe becomes stronger and its capacity to protect itself increases. However, they are still sufficiently strong in certain quarters to represent a definite obstacle to a fully effective defense program. The Communists do everything possible to exploit these attitudes and it would be a serious mistake

for us to ignore them or lightly adopt policies which might stimulate their growth.

A fourth major problem is the development of machinery and procedures by which the 12 sovereign countries of NATO can work together effectively. It is always difficult for a number of independent nations to carry on a joint enterprise and achieve quick results.

On the whole, the North Atlantic Treaty Organization has worked surprisingly well. This may be attributed to the fact that the fundamental community of interest and the overwhelming sense of urgency among the NATO nations have repeatedly overridden differences on secondary issues. Even so, neither the North Atlantic Council nor any of its subsidiary bodies possess the power to make binding decisions, and agreements can be reached only through the slow process of negotiating unanimity among the members.

It is perhaps a recognition of this difficulty which has recently prompted a renewed interest in the problem of European unity both here and abroad. On this point, I wish to say only that the United States Government has constantly supported all practicable approaches to the achievement of closer European integration and will continue to do so. At the same time, it would be a mistake to believe that this problem can be easily solved or that European unity, even if achieved, would be a panacea for all ills.

All of the foregoing problems are formidable. However, we have already proved that they do not represent unsurmountable obstacles. Since the signing of the North Atlantic Treaty, a great deal has been accomplished. Let us look at some of the things that have been done.

Complex Nature of Modern War

Our first problem has to do with the complex requirements for defense in modern warfare. All the nations of the North Atlantic community, including our own country, started at a rather low point in beginning the current military build-up. To some extent this may be attributed to the fact that the North Atlantic nations rapidly demobilized their military forces in the early post-war years while the Soviet Union did not. However, it is well not to exaggerate the significance of this factor in explaining the present situation. We must remember that organized armed forces in several allied nations had totally ceased to exist during the war and had to be rebuilt from scratch. Even more important is the fact that the requirements of modern war have changed considerably.

Many people do not realize that the nations of Western Europe at this moment have on active duty the same number of armed forces that they had in 1938 and 1939. Why, then, do we need to do more? There are two reasons.

Before the last war, nations tended to judge their armed strength in terms of the troops which could be mobilized within a reasonable period of time. Reserve strength is less decisive today, since the techniques of blitz warfare have made it necessary to possess an adequate number of active troops. Also, the armed forces of the free European nations lack the equipment which is essential to effective fighting power, and equipment for reserve forces in many cases is totally nonexistent. Thus, the North Atlantic nations require more troops than they had in 1939, and these troops must be better equipped.

Our second major problem results from the economic and financial limitations upon the efforts of our European allies. Potentially, the nations of free Europe possess a great deal of economic strength, so much, in fact, that their conquest or absorption by the Soviet Union would throw the world economic and industrial balance against the United States. However, by American standards, the economic capabilities of our NATO allies have always been low, and World War II created additional economic difficulties from which these nations have not yet fully recovered. They have indeed achieved a sufficient level of recovery to permit them to undertake already a substantial defense effort, and the magnitude of this defense effort is being gradually expanded. However, it would be foolhardy to ignore the upper limitations beyond which they can go only at the risk of economic collapse.

The economic limitations of Western Europe can best be understood by reference to a few figures. During the current fiscal year, the total gross national product of all the European NATO nations, with their 170 million people, will be less than one-third the gross national product of the United States with its 150 million people.

The full significance of this disparity of income can be appreciated only if considered in terms of the living standards of individual citizens. Thus, the total output of Western Europe would provide only \$597 per capita in the average European country as contrasted with \$2,143 in the United States. The per capita income in certain particular countries is even lower. The average Italian, for example, has an income of only \$25 per month, while food prices in Italy are approximately 80 percent of what they are in the United States.

Progress Made Under NATO

We have steadily improved the machinery for cooperative planning and collective action. Within the North Atlantic Treaty Organization, we have developed instruments through which the member countries cannot only reach agreement on broad policies, but can also work together effectively in solving specific financial, economic, and production problems.

In the military field there have been unique achievements in collective action, the most important of which has been the establishment of an integrated force for the defense of Western Europe under the command of General Eisenhower.

The armed forces available for active duty in Europe have increased both in size and effectiveness. These forces are better equipped than they were 2 years ago and are also better trained. Within the last year, nearly every member of NATO has increased its period of compulsory military service.

The defense budgets of our European allies today are about 80 percent higher than they were in 1949, and will continue to increase in the future.

Military production in Western Europe has doubled since the outbreak of Korean hostilities and is expected to rise rapidly during the coming year.

Last but not least, there has been a steady improvement in the morale and determination of the European peoples. The will to resist has grown in almost direct proportion to the increasing capacity to resist, and the continued evidence of America's determination to stand by its allies has dealt a powerful blow to neutralist sentiment.

Much, of course, remains to be done if we are to achieve the objective of peace and security. The problems which I have outlined indicate clearly that our European allies cannot do this job alone, and that substantial assistance from the United States will be necessary to permit them to make an optimum contribution to our common defense program.

This assistance is provided for in the Mutual Security Program which the President recently submitted to the Congress.² The President's proposal covers both military assistance in the form of vital defense weapons and direct economic assistance to enable the Europeans to expand their military production and to maintain economic stability while undergoing the strain of their increased defense effort.

Of all the problems which we face in implementing the North Atlantic Treaty, perhaps the most important is to maintain continued understanding and support of the Mutual Security Program on the part of the American people. In a very real sense, the crucial area in the present world conflict is right here at home; the fate of Western civilization may depend in the long run, upon the minds and hearts of the men and women of the United States. Moreover, the maintenance of this vital understanding and support is a task which cannot be left to governmental officials; it can be performed effectively only by people like yourselves.

I believe the great majority of our people already understand and support the basic principles of the Mutual Security Program. But much careful and painstaking explanation still needs to be

² BULLETIN of June 11, 1951, p. 883.

done in order to clear up misconceptions and false impressions.

Some of our citizens continue to regard Europe as something very far away and see no direct connection between Europe's security and their own safety. A few of these people lightly assume that "America can lick the world" and do not realize the overwhelming odds we would face if the entire Eastern Hemisphere should fall under the domination of the Soviet imperialists. Nor do they stop to think that even victory under such circumstances would involve a fearful price in suffering, destruction, and death.

But this group is a distinct minority. A more difficult problem is posed by the people who recognize the importance of Europe to our own security, but who nevertheless feel vaguely that the Europeans are uncooperative, that the United States is doing too much for Europe, that the United States Government fails to drive sharp enough bargains with its allies, etc. It is this group which is inclined to support the imposition of a variety of harsh conditions on foreign aid and to insist that unless the Europeans meet these conditions, we should cut off our assistance and support. In brief, they demand that the United States "get tough" with Europe.

Now, this point of view is essentially correct in one respect. In terms of the total strength needed to deter Soviet aggression, the nations of Western Europe are not yet doing enough. They themselves know this and are increasing their efforts accordingly. Meanwhile, there are certain things which we Americans need to keep in mind about the American role in NATO and our relations with our allies.

In the first place, we have to remember that these countries are independent nations with democratic institutions and national sensitivities very much like our own. The United States doesn't have satellites and doesn't want satellites. We want free, independent, and courageous partners. We must deal with our European allies as equals and treat them with the respect which we ourselves demand.

In the second place, we need to remember that the implementation of NATO is a joint enterprise and that we are fully as interested in its success as the Europeans are.

Just as there are people in this country who ask why we should send soldiers and guns to help Europe, there are people in Europe who ask why they should die to defend the United States.

Both groups are badly off the beam. The whole program is based on the solid principle that the only way any of us can protect ourselves is to protect one another.

U.S. Stake in European Security

There have been occasions in which our government has given assistance to foreign peoples pri-

marily for humanitarian reasons. I personally hope that the American people never lose the humanitarian instinct which prompted such gifts. However, let us not deceive ourselves by the belief that the Mutual Assistance Program represents a gift from the United States to the Europeans. It is an investment in our own security—an investment by which we can achieve a greater addition to our own strength than by spending the money in any other conceivable manner. The Europeans know this as well as we do, and it would be presumptuous and foolish for us to take the attitude that our contribution to North Atlantic defense is a one-way proposition.

Next let's remember that our own best interests are not served by demands that Europe exceed the limits of its real capabilities. There is not much point in "getting tough" with a turnip simply because it refuses to become a blood donor. When a nation has truly approached its economic limits, withholding American aid could only have the effect of reducing its effort still further and thereby weakening the total defense capacity of the free world.

Moreover, if European nations should undertake an effort substantially beyond their true capabilities, the economic health which is the very foundation of effective strength would collapse. As a result of such collapse, the Communists might be able to achieve through political means a cheaper and quicker victory than they could ever achieve through armed force.

I don't want to imply that we should fail to use our influence with the Europeans to encourage them to a maximum defense effort, nor am I saying that there should be no conditions attached to foreign aid. We have already made it clear to our allies and to the American Congress that the distribution of aid must be related to the magnitude and the requirements of each nation's defense effort. My point is simply that we must use an intelligent, businesslike approach in dealing with the European governments, recognizing the effective limits to which successful negotiations may be carried.

The United States has always been a nation of horse traders, and there is still a place for horse trading in international relations. I am concerned only that we do not become enmeshed in a prolonged argument about who gets the bridle and the saddle while someone runs away with the horse.

A final consideration which we Americans must ever keep in mind is the need for patience and endurance. It is not easy to live for a long period of time in a state of unbroken international tension. In such circumstances, we are constantly tempted by the illusion that we can afford to relax our efforts, on the one hand, and are frequently impelled, on the other, to take ill-considered precipitate action.

A war of nerves, unpleasant as it is, is infinitely

better than a war of blood. As our understanding of the world situation becomes clearer, I am confident that the endless series of bold advances and cautious retreats which constitute the trademark of Communist world strategy will neither lull us to sleep nor stimulate us to irrational frenzy.

Meanwhile, there must be no let-up in America's own effort. We have not yet achieved the level of mobilization required, and already there are signs that the brighter prospects in the Far East are being misinterpreted by some as an indication that we can cut back the National Defense Program. I don't need to tell a group like this how absurd such a notion is. A victory which we use as a sleeping pill would be no victory at all.

I do not know how long the present world crisis will last. It would be pleasant to be able to say that, at some predictable date in the near future, we will be able to throw off our defense burdens. But I cannot honestly say this.

The test of our patience and endurance may be a long test. While the European aid program can taper off when the present military build-up is completed, I believe the free peoples of the world will be required, for many years to come, to remain alert to the dangers of aggression and steadfast in our efforts to maintain an impregnable political, economic, and military defense.

But I repeat my conviction that time is on our side, provided we are willing to cooperate with time. The Mutual Security program represents the most effective method by which we can make sure that time remains our firm ally. In combination with the increase in our national defensive power, this program is the best way that we can preserve peace, security, and freedom—perhaps the only way.

It is not a cheap program, and it is not an easy program to carry out, but it is far cheaper and easier than any conceivable alternative.

And we must remember that our lives and our freedom are at stake, and that these things have never been cheap. As Thomas Paine once said:

Heaven knows how to put a price on her treasures, and it would have been strange indeed if she had undervalued so precious a commodity as freedom.

Two Meetings of NAC Announced

[Released to the press August 3]

Two meetings of the North Atlantic Council will be held this autumn, it was announced August 3 by Paul van Zeeland, Belgian Minister of Foreign Affairs and Chairman of the Council.

Prior to the ordinary annual session, which is to convene in Rome at the end of October, a meeting of the Council will be held in Ottawa on September 15 to consider such problems as may be ready for discussion or action by the Council at that time.

NATO Progresses Toward Real Atlantic Security

*Statement by Ambassador Charles M. Spofford, Deputy U.S. Representative, North Atlantic Council*¹

Two years ago the United States Senate approved ratification of the North Atlantic Treaty. By its terms, 12 sovereign nations agreed to unite their efforts for collective defense and for the preservation of peace and security.

I should like to tell you something about NATO and some of the things it has already achieved in this short time.

There have been many alliances in the past in which nations have agreed in principle to aid each other if attacked. There have been some in which advanced planning has taken place. But NATO is the first security pact where collective forces have been forged into a combined army, navy, and air force in peacetime. It is NATO's job to see to it that these combined defense forces are adequate, and that they are supported by planned production to equip and to maintain them.

However, NATO is not a supranational state. It has no delegated power. It must act through agreement of its members.

The key to progress toward Atlantic security, therefore, lies largely in the scope and rate of acceleration of defense programs of the member states themselves. NATO is the central nervous system which energizes and coordinates the body; the sinews and muscle must come from individual national efforts.

What can be said of progress to date? Let me give you two illustrations.

First, every NATO country contributing to General Eisenhower's army has increased its period of military service during the past year. These increases marked extremely important steps towards forging an effective defense.

Second, the aggregate defense budgets of the NATO countries are over two and one half times what they were before the Korean war. Each NATO country has called upon its citizens to make sacrifices for the common cause. And we must remember that these sacrifices were called for from our European allies at a time when they were just beginning to recover from the ravages of World War II. These steps have been and are being taken in an atmosphere of growing mutual confidence that a successful defense can be achieved.

Much of this increased confidence stems from the leadership of General Eisenhower. It has been only four months since General Eisenhower took command of SHAPE. In that period key command appointments have been made, permanent headquarters erected, and troops assigned to General Eisenhower's command.

¹ Made on "Battle Report" over NBC Television Network on July 27 and released to the press on the same date.

Another vital factor has been the actual delivery of American military equipment to the constantly increasing numbers of NATO troops in the field. This American equipment, supplied under the Mutual Defense Assistance Act, is a symbol that the "arsenal of democracy" is once more at work. Evidence of this was the military parade in Paris July 14. New weapons and new divisions were paraded before an enthusiastic audience. The revival of the French spirit is fully as important as that of the French Army and it is good to see them both appearing again.

We are now actively in the period of building up our forces. In effect we are paying up the back premiums on an insurance policy for defense. These premiums are in the form of investment in production capacities, in tanks, planes, and guns, and in the man-hours of the young men going into training camps. Once this policy is paid up, we will be in a position to receive the dividends of security from attack. Then, and only then, will we be in a position to devote national income to purposes other than those forced upon us by the Soviet menace to the free world.

The tasks which still lie ahead of NATO are a challenge to the intellectual and spiritual resources of the free world. Our material resources are clearly superior to those in the Soviet orbit. The challenge lies in the use we make of our assets. The sharing of technical skills, the increase in productivity, the mobilization of military strength are all tasks which call for determination, and cooperation of the highest order.

With the will to work hard and to work together there is reason, I believe, to have faith in our progress toward real Atlantic security.

Germany and India To Be Represented On Sulphur Committee of IMC

[Released to the press by IMC July 22]

The International Materials Conference announced today that Germany and India have accepted its invitation to be represented on the Sulphur Committee.

This brings to 13 the number of countries now represented on this Committee. They are Australia, Belgium (representing BENELUX), Brazil, Canada, France, the Federal Republic of Germany, India, Italy, New Zealand, Switzerland, the Union of South Africa, the United Kingdom, and the United States.

The Federal Republic of Germany will nominate its representative very soon. Dr. Kurt Hoernig meanwhile will be acting representative.

The Indian representative on the Committee will be H. A. Sujana, director of the India Supply

Mission at Washington, and his alternate M. B. Shankar, deputy director of the India Supply Mission.

Japan Becomes Member of IMC Committees

[Released to the press by IMC July 11]

The International Materials Conference announced today that Japan has accepted its invitation to be represented on the Pulp-Paper Committee.

The Japanese Government has designated Takio Oda of the Ministry of International Trade and Industry, Tokyo, as its representative. Mr. Oda is presently in Washington as Chief of the Japanese Section of the SCAP-Japanese Allocations and Procurement Mission.

This brings to 14 the number of countries represented on the Pulp-Paper Committee. They are: Australia, Austria, Belgium, Brazil, Canada, France, the Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Sweden, the United Kingdom, and the United States.

Japan is also a member of the Cotton-Cotton Linters Committee. Announcement of her membership into this Committee and into the International Materials Conference was made on June 17.

U.S. Proposes ECOSOC Consider Restrictive Business Practices

[Released to the press by the U.S. Mission to the U.N., July 13]

The United States Government has proposed that the question of restrictive business practices be taken up by the Economic and Social Council at its forthcoming meeting at Geneva. This proposal is in line with a national antitrust policy of many years standing. It is also in line with international objectives, aimed at reducing barriers to international trade, which have been set forth many times since the end of World War II and which have been widely discussed in the business community. In short, this is a new step in pursuance of long-established policy.

The United States is convinced that the facts will show that monopolistic practices on an international scale can and do keep prices unduly high; accentuate inflationary pressures; hold real wages down; retard the modernization and productivity of industry; and increase the cost of economic development in under developed countries.

Since the war, the United States, in collabora-

tion with many other countries, has engaged in numerous efforts to stimulate the commerce and industry of every country through the lowering of trade barriers. This was the object and effect of the trade agreements concluded under the General Agreements on Tariff and Trade (GATT) at Geneva, Annecy, and Torquay. This was the object and effect of the creation of the European Payments Union. The ends sought not only of the United States but of many other countries, therefore, would be defeated if private cartel arrangements were allowed to interpose restrictions which stunt industrial and commercial growth.

Many of the private arrangements which restrict trade extend beyond the jurisdiction of any one country. International collaboration therefore is necessary in order that effective action may be taken against them. While much already is being done within the United Nations on the subject of governmental barriers to the international movement of goods, there is at present no consideration of the problem created by private cartels. The United States considers it highly important that this subject also be examined by the United Nations.

There are many indications that other industrialized countries have, since the war, come to the view that the undesirable effects of private business restrictions must be eliminated. For example, the western European governments have included in the Schuman Plan strong provisions against cartel and monopoly restraints in the coal and steel industries. Certain countries of Western Europe have adopted, or are considering, legislation against the abuses of cartels.

In initiating this discussion in the Economic and Social Council, the United States hopes that the international community will discover the form of international action which will best promote competition, as against restrictionism, in the production and distribution of goods. The United States looks forward to the creation of international machinery which can be instrumental in achieving this end.

U.N. Representative Arrives in Karachi

[Released to the press by the U.N. Department of Public Information July 17]

Dr. Frank P. Graham, United Nations representative for India and Pakistan, together with his principal secretary, Petrus J. Schmidt, and his military adviser, Gen. Jacob L. Devers, and three assistants, arrived in Karachi today from Rawalpindi, Pakistan.

Earlier, the party had traveled by road from Srinagar, Kashmir, to Rawalpindi, visiting United Nations military observer teams on both sides of the cease-fire line while enroute.

On 13 July, the Graham party stopped at the Baramula Division, where they were met by the Indian Army divisional commanding general. Then, at Uri, they visited a United Nations observer group headquarters. Crossing the cease-fire line in the vicinity of Uri in United Nations jeeps, they were met on the other side by Maj. Gen. S. M. Afzal of the Pakistan Army. At Domel, the party was greeted by a guard of honor. Then they visited the United Nations observer group with headquarters in Domel.

Arriving at Rawalpindi late on 13 July, the party conferred the next day with the Pakistan Minister for Kashmir Affairs, Mushtaq Ahmad Gurmani. On 15 July, the party toured the Rawalpindi area, and on 16 July they visited Western Kashmir, going to Muzaffarabad through Murree and returning through Abbottabad. At Muzaffarabad, they met with Choudhri Ghulam Abbas, supreme head of the Azad Kashmir movement, and other Azad Kashmir officials.

Returning to Rawalpindi, the group went on today to Karachi.

THE DEPARTMENT

Loyalty Security Board Clears John Paton Davies, Jr.

[Released to the press July 30]

The Department of State announced on July 30 that Foreign Service Officer John Paton Davies, Jr., had been cleared by its Loyalty Security Board and returned to active duty. Deputy Under Secretary Carlisle H. Humelsine stated that he had reviewed the findings of the Board and expressed his conviction that the Board's decision was fully and unequivocally supported by the evidence. Mr. Humelsine also stated that he is in full accord with the Board's recommendation that Davies be restored to duty.

Mr. Davies' suspension has been rescinded and he has been reinstated without prejudice and with the full confidence of the Department.

The Department of State's Loyalty Security Board is under the chairmanship of Gen. Conrad E. Snow, able and experienced New England lawyer. The Board's actions are taken independently of the normal supervisory channels in the Department since it is the Department's contention that a fair and impartial adjudication of a loyalty or security case can be assured only if the Board is so constituted. Adjudications of the Board on loyalty matters are subject to post-audit by the

Loyalty Review Board of the Civil Service Commission.

Mr. Davies, who is about to complete his twentieth year of governmental service as a Foreign Service officer, is one of the Department's outstanding foreign affairs officers.

Mr. Davies has resumed his duties on the Policy Planning Staff awaiting his next assignment abroad in conformity with requirements limiting domestic tours of duty of Foreign Service officers. Mr. Davies' domestic tour of duty will expire next month. He will then be assigned to the Office of the High Commissioner for Germany, John J. McCloy, the assignment Davies was scheduled for last spring by the Assignments Board of the Foreign Service.

THE FOREIGN SERVICE

Consular Offices

An American consulate was established at Kuwait, Kuwait, on June 27, 1951.

Appointment of Officers

Capt. William Jackson Galbraith, United States Navy, as Naval Attaché and Naval Attaché for Air to the American Embassy at Oslo, Norway.

PUBLICATIONS

Recent Releases

For sale by the Superintendent of Documents, Government Printing Office, Washington 25, D. C. Address requests direct to the Superintendent of Documents, except in the case of free publications, which may be obtained from the Department of State.

United States Treaty Developments: Sixth Release. Pub. 2851. 255 pp.

A documented looseleaf reference service providing periodically up-to-date information on the status of international agreements entered into by the United States.

Technical Cooperation. Treaties and Other International Acts Series 2198. Pub. 4146. 6 pp. 5¢.

Agreement between the United States and Nepal—signed at New Delhi Jan. 23, 1951; entered into force Jan. 23, 1951.

United States Participation in the United Nations: Report by the President to the Congress for the Year 1950. International Organization and Conference Series III, 67. Pub. 4178. xviii, 429 pp. \$1.

Annual report on the activities of the United Nations and on the participation of the United States therein.

Mutual Defense Assistance. Treaties and Other International Acts Series 2217. Pub. 4180. 3 pp. 5¢.

Agreement between the United States and Australia—effected by exchange of notes signed at Washington Feb. 1 and 20, 1951; entered into force Feb. 20, 1951.

Technical Cooperation. Treaties and Other International Acts Series 2221. Pub. 4186. 9 pp. 5¢.

Agreement between the United States and Bolivia—signed at La Paz Mar. 14, 1951; entered into force Mar. 14, 1951.

Technical Cooperation. Treaties and Other International Acts Series 2233. Pub. 4206. 8 pp. 5¢.

Agreement between the United States and the Hashemite Kingdom of Jordan—signed at Amman Feb. 27, 1951; entered into force Feb. 27, 1951.

Foreign Consular Offices in the United States, April 1, 1951. General Foreign Policy Series 46. Pub. 4162. 51 pp. 20¢.

A complete and official listing of the foreign consular offices in the United States, together with their jurisdictions and recognized personnel.

Check List of Department of State Press Releases

Beginning with this issue the BULLETIN is printing a check list of Department of State press releases as a convenient reference. Releases not printed in full in the BULLETIN may be secured from the Office of the Special Assistant for Press Relations, Department of State, Washington 25, D. C.

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682*	7/30	Gallman Nominated Ambassador to Union of South Africa
683†	7/30	2d Conference on Mechanical Wood Technology
684	7/30	Loyalty Security Board Clears John Paton Davies, Jr.
685*	7/30	Personal History of Foreign Service Officer Davies
686*	7/31	Retirement of Miss Middlekauff
687*	7/31	Arrival of German Exchangees
688*	7/31	Retirement of Leslie Wheeler (FSO)
689	7/31	U.S. To Withdraw Tariff Concessions from Czechoslovakia
690	8/1	Trade Extension Act
691*	8/1	Appointment—La Blonde: Acting Director International Information
692*	8/1	Fulbright Awards
693	8/1	Mass Deportations in Hungary (Acheson)
694*	8/1	American Specialists Leave Germany
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696	8/3	I. G. Farben Invites Shareholders To Declare Stocks
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698	8/3	Two Meetings of NAC Announced
699*	8/3	Exchange of Persons
700	8/3	U.S., Greece, Sign Treaty of Friendship, Commerce and Navigation
701	8/3	Challenge to Soviet Sincerity in Peace Overture (Barrett)

*Omitted.

†Held for future issue.

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